France	FFr7.00	Lux	LFr50	Sweden	SKr10
Germany	DM2.20	Malaysia	Rm4.25	Switz	SFr2.40
Greece	Dr150	Morocco	Dh6.00	Thailand	Bht45
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

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ECONOMICS

Whispered hope for a golden age

Page 25

World News

Baker eases demands in talks to cut nuclear arms

The US announced it would lift its demand for a ban on mobile nuclear missiles in order to spur the strategic arms reduction talks with the Soviet Union.

US Secretary of State James Baker also said the Nato alliance had reached agreement on measures to verify compliance with a new treaty on cutting conventional arms and these would be presented tomorrow in Vienna. Page 26

DC-10 missing

A French DC-10 carrying some 140 passengers went missing after leaving the Chadian capital of N'Djamena on its way from Brazzaville to Paris.

Call for steel curbs

US trade officials demanded a sharp cut in Japan's steel exports to the US under an agreement due to take effect from the end of this month. Page 26

Yugoslav may go

Yugoslav Prime Minister Ante Markovic may resign after less than seven months in office if parliament fails to support his latest anti-inflation proposals. Page 2

Greece to borrow

Greece plans to borrow up to $600m abroad in the next three months to help meet a record public sector borrowing requirement this year of Dr1,930bn ($11.2bn). Page 2

Suharto backed

President Suharto of Indonesia received backing from the minority Indonesian Democratic party to run for a sixth term in 1993. Page 8

Hun Sen in Bangkok

Cambodian Prime Minister Hun Sen arrived in Bangkok as part of a Thai initiative to prevent a civil war after Vietnamese troops withdraw from Cambodia next week.

Coup foiled

Burkina Faso Defence Minister Jean-Baptiste Lingani, the Minister of Economic Promotion Henri Zongo, and two deputies of President Blaise Compaore, were executed by firing squad for their part in an unsuccessful coup attempt. Page 4

Hurricane kills 19

Hurricane Hugo hit Puerto Rico with winds of more than 120 mph, killing 19. Page 6

Italy unblocks strike

Italy said agreement was reached with truck drivers' union leaders to end an eight-day blockade of the Brenner Pass border with Austria.

Tighter controls

Increased border controls by Czechoslovakia has reduced the number of East German refugees reaching Hungary on their way to the West.

Refugees return

More than 41,000 refugees returned to Namibia ahead of next month's independence elections, a UN official said.

UN opens

The UN officially opened its 44th General Assembly session yesterday. The 13 week session will deal with an agenda of more than 150 items.

Tax men revolt

About 1,000 striking tax officials invaded the Paris stock exchange in support of higher wages, bringing trading on the bourse to a halt.

Business Summary

Thatcher presses for UK seats on Tokyo SE

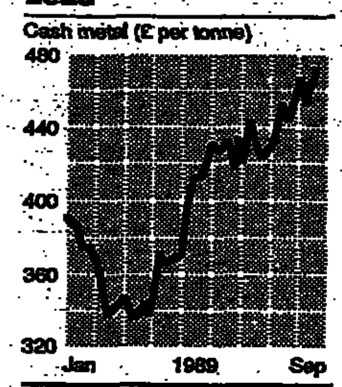
The British Government has extended retaliation against Japanese investment banks operating in London in order to step up pressure on the Tokyo Stock Exchange to admit Barclays de Zoete Wedd and James Capel of the UK.

Prime Minister Margaret Thatcher indicated that the Bank of England should refuse to add Japanese securities houses to its approved list of dealers in Treasury Bills denominated in European Currency Units. Page 38; Thatcher visit Page 2, 26

LEAD: prices showed renewed strength on the London Metal Exchange and metal for delivery in three months reached £471 ($725) a tonne in early trading, before drifting back to £467.50, up £11.75 on Monday. Commodities page 46

Lead

Cash metal (£ per tonne)



TOYOTA Motor, Japanese auto maker, announced a 2.5 per cent increase in consolidated pre-tax profit of Y625.6bn ($4.29bn) for the year to end June. Page 31

CAMPEAU, embattled Canadian retailing and property group, secured a $250m loan that will cost its founder control of the company but should ease the company's short term liquidity problems. Page 27.

GPA, Irish aircraft-leasing company, ordered 12 Airbus A321 aircraft, the new "stretched" version of the A320, and taken options on a further eight.

ALITALIA, Italy's state-owned carrier, said consolidated losses totalled L172bn ($121m) and parent company losses totalled L119bn during the first six months of 1989. Page 29

DOLLAR: UK Chancellor of Exchequer Nigel Lawson said he could live with the dollar around its current levels but warned that the Group of Seven leading industrial countries was concerned it could become become too strong. Page 26

GLAXO Holdings, pharmaceutical group, said pre-tax profits rose 21 per cent to £1.01bn ($1.54bn) for the first time. Page 27

SSANGYONG Motor, South Korea's fourth-largest car-maker, is to produce a Volvo model in South Korea and to develop a new car with the Swedish company. Page 4

SAPPI, South African paper and pulp maker, increased net income 49 per cent in the six months to August 31, to reach R292.7m ($103m) from R196.2m. Page 29

MIDLAND Bank raised the interest rate paid on its main saving account from 9.5 per cent to 10 per cent bringing pressure on other UK financial institutions for a general rise in interest rates. Page 12

OWENS-Illinois, US glass container-maker, is to buy out from Guinness, UK drinks group, its 50 per cent stake in United Glass, one of the largest manufacturers of glass packaging in Britain. Page 29

CO OP, troubled West German retailer, is planning to close some 207 of its 2,200 stores by December 31 and will shed 2,500 jobs. Page 29

MARKETS

STERLING
New York closing: $1.5705
London: $1.573 (1.57)
DM3.07 (3.065)
FFr10.3675 (10.3475)
SFr2.656 (2.645)
Y229 (same)
£ index 91.3 (same)

GOLD
New York: Comex Dec $366.5
London: $361.25

N SEA OIL (Argus)
Brent 15-day Oct $(18.025)

Chief price changes yesterday: Page 27

DOLLAR
New York closing
DM1.9515
FFr6.5825
SFr1.6840
Y145.73
London:
DM1.951 (1.953)
FFr6.59 (same)
SFr1.6875 (1.685)
Y145.5 (145.8)
$ index 71.8 (71.9)
Tokyo close: Y145.73

STOCK INDICES
FT-SE 100: 2,361.5 (−12.3)
FT Ordinary: 1,948.3 (−10.6)
FT-A All Share: 1,198.2 (−0.4%)
FT-A long gilt yield index high coupon: 9.54 (9.53)
New York closing
DJ Ind. Av. 2,687.31 (-0.19)
Tokyo: Nikkei 34,471.07 (−1.47)

US LUNCHTIME RATES
Fed Funds 8⅞%
3-mo Treasury Bills: yield: 7.9%
Long Bond: 100⅞ yield: 8.065%

LONDON MONEY
3-mo interbank close: 13 13/16% (same)

Gorbachev promises expanded rights for republics

By John Lloyd in Moscow

PRESIDENT Mikhail Gorbachev, the Soviet leader, yesterday promised his rebellious republics expanded economic and political rights enshrined in a new Soviet constitution – but drew the line at secession or the independence of the republics' communist parties from the national party.

He also announced that the next Communist Party Congress would be brought forward by six months to October 1990 in an apparent attempt to speed the election of reformers to senior jobs.

"The preparations for the Congress must serve to bring about the renovation of party committees at all levels, including the Central Committee whose role is growing," he said.

His vigorous but tepidly applauded speech was broadcast last evening – the first time a Central Committee session has been so publicised.

It was designed to reassure a worried leadership that events were not getting out of control in the outer parts of the Union, yet still contained measures which Mr Gorbachev judges sufficient to enable the republican leaders defuse the growing campaign of their pro-independence movements.

The sporadic applause was warmest when he criticised those who "shout rubbish about independence"; and he charged those, like the Lithuanian Party leadership, who have called for independence for republican parties as "bearing a heavy responsibility to the party and the people."

He also assured the regional parties that they would be given greatly enhanced powers, constitutionally guaranteed, to set out their own programmes, fill their own posts and determine their own priorities, as long as they stayed within the general framework set by the Soviet Communist Party.

This dual track strategy, evident last week in talks between Mr Gorbachev and the leaders of the three Baltic states of Estonia, Latvia and Lithuania, is aimed at constructing a policy broad enough to avoid a conservative backlash while giving the hard-pressed Communist parties in the republics enough independence to keep their nationalist elements in line.

Continued on Page 26

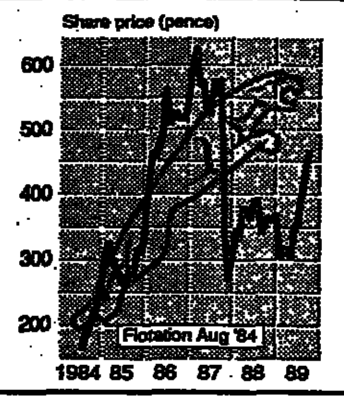
Gorbachev balances party and perestroika, Page 2

Ford

1988 Ford Worldwide
- Turnover: $92.4bn
- Net income: $5.3bn
- Vehicle sales: 6.517m
- Employees: 358,900

1988 Ford of Europe (Automotive):
- Turnover: $21.43bn
- Net income: $1.46bn
- Car market share (W.Europe): 11.3%
- Car sales: 1.464m

Share price (pence)



Jaguar

1988
- Turnover: £1.076bn of which US 43%
- Pre-tax profit: £47.5bn
- Production: 51,939
- Sales: 49,494 in US: 20,727
- Employees: 12,611

First half 1989
- Turnover: £553.6m
- Pre-tax profits: £1.4m
- Operating loss: £2.8m

Ford launches bid for 15% stake in Jaguar

By Kevin Done, Motor Industry Correspondent,in London

FORD of the US, the world's second largest automotive group, last night launched a surprise pre-emptive bid for a minority stake in Jaguar, the leading UK luxury car maker.

Ford is seeking to take an initial stake of up to 15 per cent, the limit set by Jaguar's articles of association and the UK Government's so-called golden share.

The Government share, taken when Jaguar was privatised in 1984 to protect the company from hostile takeover, expires at the end of 1990.

Ford's move took Jaguar by surprise yesterday, although the US company, along with several of the world's leading car makers, has held intermittent talks with Jaguar in the last 18 months, with a view to acquiring eventual control of the group.

The Jaguar share price, which has been buoyed by takeover speculation in recent weeks, despite last week's announcement that the company had suffered a £2.6m operating loss in the first half of 1989, rose rapidly yesterday as rumours spread of stake-building by Ford.

The share price jumped by 62p in London yesterday to close at a high for the year of 467p valuing the company at £854.8m. There was heavy trading with a turnover of 15m shares.

Sir John Egan, Jaguar chairman and chief executive, who was informed late yesterday afternoon of Ford's intentions said, "our desire has always been to maintain the independence of the company."

He said, however, that Jaguar had been "ready to discuss areas of collaboration with other manufacturers". He refused further comment until the Jaguar board has met to discuss the Ford approach.

Mr Lindsey Halstead, chairman of Ford of Europe, said the company had informed the UK Government yesterday afternoon by letter of its planned purchase of a minority stake in Jaguar.

It has offered to meet both Jaguar and the Government, but no meetings have yet been arranged.

Under the terms of US anti-trust legislation Ford is limited to purchasing only $15m worth of Jaguar shares for a 30-day period, when it would expect to be freed to buy up to the 15 per cent stake allowed by Jaguar's company statutes.

Mr Halstead said that Ford would not "buy at any price". He said the company had taken no decisions about the longer term.

Ford believed, that there were "benefits for both companies in a holding that could lay a foundation for a long-term association between Ford and Jaguar," he said.

He said that if Ford's stake in Jaguar were to be increased "at some time in the future, our intention would be to maintain it as a separate and autonomous entity and to reinforce its image as a manufacturer of prestige cars."

Mr Halstead would offer no guarantee that Ford would limit itself to a minority stake. An auction could now develop as other leading world car makers moved to take minority stakes up to the present 15 per cent limit on individual holdings.

It is understood that Jaguar has already received approaches from both Ford's domestic US rivals, General Motors and Chrysler, while interest has also been expressed from several West European and Japanese car makers, although they have stopped short hitherto of building a pre-emptive stake. Recent speculation has centred on Peugeot of France, Volkswagen of West Germany and Volvo of Sweden.

Lex, Page 26

Airbus report fails to ease tensions

By Guy de Jonquières and Paul Betts in London

A REPORT on the European Airbus programme, commissioned by President François Mitterrand and Chancellor Helmut Kohl, has failed to resolve tensions between France and West Germany over production arrangements.

Authors of the confidential report, commissioned by the two leaders at a bilateral summit meeting earlier this year, have been unable to agree any joint recommendations.

The report was supposed to analyse the economic implications of Bonn's demand that final assembly of the Airbus A320 medium-range airliner be transferred from Toulouse to Hamburg.

However, disagreements between the authors, French industrialist Mr Jacques Bénichou and German businessman Mr Jürgen Krackow, proved so deep that the report does little more than set out their viewpoints. These closely reflect the positions of their respective governments.

Aérospatiale of France and Messerschmitt-Bölkow-Blohm of West Germany both own 37.9 per cent of the four-nation Airbus consortium. However, MBB has long complained that its share of work is too small.

West Germany also says that the cost of producing A320s could be reduced if they were assembled in Hamburg, where MBB is reponsible for making parts of the fuselage and for fitting out the aircraft once they have been built.

France rejects these arguments. Officials in Paris described the German demand yesterday as "a colossal try-on." They accused Bonn and MBB of attempting, largely for political reasons, to gain control of Airbus' most successful product line.

The report was submitted on

Continued on Page 26

Ferranti defaults on some of its loan agreements

By Hugo Dixon, Terry Dodsworth and David White in London

FERRANTI International Signal, the troubled defence electronics group, is in breach of some of its loan agreements as a result of an alleged £150m ($235.5m)fraud, Sir Derek Alun-Jones, its executive chairman, said yesterday.

Baring Brothers, Ferranti's merchant bank advisors, was last night locked in discussions with 30 banks, trying to persuade them not to call in their loans – a move that could push the group into bankruptcy.

Ferranti executives were conducting parallel negotiations with defence electronics companies. Sir Derek said the options were selling assets, asking shareholders for more money, taking on a partner or selling the company.

Meanwhile, the US Defence Department said it was conducting a criminal investigation into International Signal & Control, the Ferranti subsidiary at the heart of the suspected fraud.

Some of Ferranti's lenders have been trying to withdraw credit facilities and other bankers have been unwilling to agree to extend theirs unless all creditors are treated equally. It is therefore unlikely that a deal will be reached until late this week or early next week, bankers said.

Meanwhile, the damaging impact of the publicity over the alleged fraud was illustrated when the Eurofighter consortium urged its partners to exercise caution in placing contracts with Ferranti.

This has added to fears that Ferranti may lose the £1bn contract to supply radar to the four-nation European Fighter Aircraft project – a programme which would have secured jobs at the UK company well into the next decade.

Later this week West Germany is expected to exploit Ferranti's difficulties as a reason for choosing an alternative team headed by AEG of West Germany to supply the radar.

Ferranti's short-term financial problems have been triggered by a fraud concerning phantom contracts which the company fears could leave a hole in its balance sheet of up to £150m. This could reduce shareholders' funds to about £300m.

The collapse of these contracts has led to a default on some of the group's loans.

Ferranti has banking facilities of about £300m, of which it is using well over £200m. Sir Derek stressed yesterday that he wished to keep all of these facilities, but was not looking for new money from banks.

The group has revealed details of the suspected fraud to its bankers in order to convince them that, despite the expected write-offs, the company still has a future as a going concern.

Nevertheless, such an agreement with the banks would only be the first stage of a rescue plan. The company is also aiming to reduce its borrowings to put its finances onto a stable long-term basis.

Ferranti's problems are compounded by its high level of interest payments – running at £30m last year – and deteriorating profits.

Sir Derek has ruled out Government intervention to shore up Ferranti, and is seeking a private-sector solution. Although he mentioned new equity from shareholders, advisors admitted that the realistic options were to sell off some of

Continued on Page 26

Lex, Page 26; Takeover maze, Page 27; Details, Page 34

Iraqi military shopping list 'was financed by credits from BNL'

By Alan Friedman in Rome and Victor Mallet in London

AN IRAQI shopping list of sensitive equipment and technology worth more than $600m and up to $1bn was financed by unauthorised credits from the Atlanta, Georgia branch of Banca Nazionale del Lavoro, according to investigators involved in the BNL affair.

Much of the equipment was required for Baghdad's military industrial projects, which include the development of the nuclear-capable Condor 2 ballistic missile, although Western diplomats say that Iraq failed to obtain at least some of the items it wanted.

In spending BNL money, Iraq has made use of two types of companies: existing Western concerns which are supplying civilian or dual-use equipment financed by BNL credits, and Iraqi-controlled companies which also received BNL financing for exports to Baghdad and have started to implement projects in Iraq by approaching other industrial companies.

Even before BNL Atlanta began financing the orders in February last year, Iraq and its procurement agents had begun to identify companies and technologies for machine tools, computers and composite materials manufacturing.

So far BNL Atlanta has disbursed $1.85bn of its $3bn in loan commitments. Of this, $830m was for grain shipments and about $400m in the form of letters of credit for US and European exporters to Iraq, including General Motors and Lummus Crest of the US, Mannesmann, Thyssen and Hertel of West Germany, Biwater of the UK, and others from Italy, France and Spain.

The remaining $620m was in the form of direct loans by BNL Atlanta to the Iraqi central bank. This money was used to buy items on Iraq's shopping list.

Among the companies to benefit was Kintex, the Bulgarian armaments and trading company which exhibited at the Baghdad arms fair in April.

Two months earlier, Bulgaria and Iraq signed an accord on joint industry and weapons production, according to the Baghdad Observer, the official English-language daily newspaper.

In many of the export credits the customer is named as the Nassr State Enterprise for Mechanical Industries, which comes under Iraq's Ministry of Industry and Military Production following last year's integration of civilian and defence industries.

There is no evidence available to show that companies have exported equipment illegally to Iraq, but Western governments are alarmed by what they regard as loopholes in the enforcement of the seven-nation Missile Technology Control Regime, designed to prevent missile proliferation.

The concern shown in Washington, London and Rome over the BNL affair underscores Nato fears about the spread of such technology in the Middle East.

Rome bank 'financed both sides in Gulf war,' Page 4

CONTENTS

EC 'making progress' on merger control powers

By David Buchan and Richard Lambert in Brussels

EUROPEAN Community states this week "made progress on most points" at stake in drafting a new division of merger control powers in the EC, Sir Leon Brittan, the competition commissioner, claimed yesterday.

In an interview after Monday's long negotiations among industry ministers, Sir Leon indicated the various ways he saw of satisfying the West German desire to retain residual powers for its own anti-cartel authorities, the British anxiety about a newly-introduced proposal for takeover reciprocity from third countries, and the small countries' wish for the Commission to make good their own lack of national competition policies.

He admitted that Germany posed a problem with its insistence that its anti-cartel office should be able to review mergers cleared at the EC level by the Commission.

This, he said, had to be seen in the light of the Bonn government's desire "to be seen to stand up for the cartel office in the wake of the Daimler-Benz takeover of MBB".

The government took the controversial move of overruling cartel office opposition to the takeover.

Sir Leon thought the German demand should not be exaggerated – Bonn was not asking for the right to review mergers blocked by the Commission, only those given the green light by Brussels.

Compromise was possible, he said, if Brussels could so "control the circumstances" that the West German right of merger review was never used in practice.

Anxiety about the practical obstacles to takeovers inside the Community had hitherto "held up active British support" for the Commission's merger control plan, he said. Such anxiety should be eased by the commitment the Commission had given this week to consider proposals to reduce takeover barriers, on the basis of its forthcoming study of takeover obstacles.

The Commission is due to get the final version of this study, commissioned from Booz Allen, by the end of this month, and Mr Martin Bangemann, the internal market commissioner, promised ministers on Monday that he would consider new measures to remove structural hurdles to intra-EC takeovers.

This, Sir Leon suggested, should provide a sort of balance to the reciprocity provision in the merger control plan.

Sir Leon, responsible for financial services as well as competition, successfully fought to tone down reciprocity in the EC banking directive. However, he termed the reciprocity clause in the draft merger plan "not necessary, but totally innocuous".

The overall aim of the merger plan was to "increase the effectiveness of Community competition policy, without changing its direction", by trying to prevent overlap of Community and national merger scrutiny.

But Sir Leon denied that by raising the initial threshold for EC scrutiny to mergers with a combined turnover of Ecus 5bn (£3.4bn) he had lost the support of smaller EC states. These states were "extremely keen" on Community merger control, and if they requested Brussels to act, the Commission would be happy to step in to vet lesser mergers.

Editorial comment, Page 26

Hopes rise in Brussels for agreement on environment

By Tim Dickson in Brussels

HOPES that the member states of the European Community will soon be able to reach a political agreement on the outlines of a new EC environment agency, possibly by as early as November, rose yesterday in Brussels.

The first substantial discussion of the idea in the Council of Ministers – put forward by the Commission at the start of the year – demonstrated that there is a broad consensus on the principle of setting up such a body.

Sharp differences remain, however, about its scope and its relations with non-EC countries.

The UK, initially somewhat sceptical about the idea, now seems to have a firm proponent for it in the new Environment Minister, Mr Chris Patten.

It was clear yesterday, however, that Britain was still among those countries eager to restrict the activities of the agency to research, the monitoring of pollution data and the provision of such information to EC countries.

At this stage the Commission has in mind a staff of just 20 people and an annual budget of Ecu 5m (£3.4m). All 12 ministers told the meeting yesterday that they would like to provide the HQ for the new agency.

The possibility of a more wide-ranging initiative, however, was raised by the EC's Environment commissioner, Mr Carlo Ripa di Meana, who suggested that the agency's powers and remit should be examined at the end of a "first stage" in perhaps three or four years.

Among the issues yet to be sorted out are the agency's precise functions, the extent of its independence from the EC, and its relationship with non-EC countries such as those of the European Free Trade Association (Efta), eastern bloc countries and other Mediterranean nations.

EC environment ministers meanwhile, were last night struggling to agree an important directive laying down rules on the deliberate release of genetically modified organisms.

Kremlin wants talks with Thatcher on arms control

MR Mikhail Gorbachev, the Soviet leader, has indicated that he wants to put arms control at the top of the agenda in his talks next Saturday with Mrs Margaret Thatcher, writes Philip Stephens in Tokyo.

His concern that a review of the negotiations on reductions in both strategic nuclear forces and in conventional and chemical weapons should figure prominently in their meeting was conveyed to the British Prime Minister during her brief stopover in Moscow yesterday.

Mrs Thatcher, who was travelling to Tokyo for a four-day visit, held 1½ hours of talks with Mr Yevgeny Primakov, the Speaker of the Supreme Soviet, to draw up the agenda for Saturday's meeting with Mr Gorbachev.

The stopover, at a Soviet military airport, brought an impromptu suggestion from Mr Primakov that on a future visit to the Soviet Union Mrs Thatcher should take the opportunity to address a full session of the Soviet assembly.

British officials were uncertain whether the invitation would be formally confirmed by Mr Gorbachev, but there were suggestions that it might be included in Mrs Thatcher's schedule during her planned visit to Kiev next summer.

The Prime Minister's view is likely to be that such an occasion would provide an impressive platform to re-establish her position as a key figure in East/West relations.

The Soviet concern that this week's meeting – expected to last around five hours – should focus on arms control will intensify speculation that Mr Gorbachev is looking for a new breakthrough in the Soviet Union's negotiations with the West.

British officials also confirmed that Mrs Thatcher now planned to meet President George Bush during a visit to the US in November.

Gorbachev balances party and perestroika

We should still be the vanguard, he says, but we've fallen behind, writes John Lloyd

A HARD fact has reasserted itself: the Communist Party of the Soviet Union has been the lever which has moved society, and will remain so. Mikhail Gorbachev may have taken the title of the presidency of the Supreme Soviet and has at times appeared to project it as *an alternative source of power*: but he remains the general secretary of the CPSU and that, in turn, remains the fundamental source of his power.

Hence, his first speech to the crucial plenum yesterday of the central committee of his party was about the party itself: a speech rendered necessary, *it is reasonable to suppose*, by the clear warnings from senior colleagues, that it was precisely this he was neglecting.

These were voiced, at a central committee session on July 18, not just by Mr Yegor Ligachev, the Politburo's leading "conservative" but by Mr *Nikolai Ryzhkov, the Prime* Minister, generally regarded as an ally of Mr Gorbachev.

So, if Mr Gorbachev does have thoughts of reducing the party's power vis-à-vis the Supreme Soviet and other elective bodies, he cannot say so and retain the support of his senior colleagues.

So, characteristically, the general secretary yesterday took the criticism head-on. *Some, he acknowledged,* "regard our self-criticism as a sign of the party relinquishing its political and ideological positions and evading performing its political role. We ought to make a definite statement on this . . . The Communist Party initiated the revolutionary re-structuring and democ*ratisation of society* and intends to stick firmly to this path."

But – characteristically again – he has moved on the argument. The "revolutionary renovation" which the party has unleashed has "preceded at such a pace that we [the party] have often lagged behind". *Much of what once seemed correct*, however innovative, was no longer adequate.

In short, perestroika and glasnost have set in train autonomous movements and processes to which the party is too sclerotic to react – "the mastering [of] the entire wealth of innovative ideas that were worked out in the course of perestroika . . . is slow in a number of party units, among some *cadres* and *communists*."

"In this, we lose a great deal . . . we vitally need initiative, a business-like attitude and creativity in work. It is necessary resolutely to overcome the habit of waiting for instructions and recommendations on all issues from above and to display independence."

Since, he argued, perestroika had helped unleash a deepening process of democratisation in society, the party itself should "re-structure its own activity on democratic principles and strengthen its ideological unity on the reform of perestroika".

*He gives little precise indica*tion of how – though he forecasts a re-structuring of the *central committee*, still *dominated* by conservative elements, when he says that "it should comprise the most creative elements in the party . . . committed to the course of perestroika".

"It is necessary to discuss what kind of central committee we would like to have, how to start its formation and in what way it should operate to perform its responsible mission."

All of this is the rationale for calling a special congress of the party for October of next year – at least six months earlier than planned – to radicalise the agenda as soon as possible. Its programme will be dominated by a report to be prepared forthwith by the central committee on the party's tasks in furthering re-structuring, a re-casting of the party's rules to be published in the spring, and new elections.

The first impression from the speech is that the general secretary, held by many in *Moscow* and in the West to be on the ropes and to be presiding over a slide into anarchy, has retained the ability to initiate and to remain a step ahead of those who would hobble him. But there are ambiguities.

First, in calling for a new, refreshed central committee in a year's time, he may be betraying his inability to change it now.

Second, in giving few clues as to detail, he may be conceding that he has not won, or not yet won, the ideological debate which he admits rages within the upper levels of the party.

Third, in arguing that the party must tighten its grip on the perestroika process to "make sure it will be as constructive as possible" he is implicitly sacrificing an element of the process he has landed in the past – its spontaneity.

This was a speech the general-secretary had to make. It does not in itself, however, give clear answers as to how the party and perestroika can live together, or how both can grow and develop at the same time without one crowding the other out.

Tax down, spending up in Dutch budget

By Laura Raun in The Hague

THE 1990 Dutch government budget, unveiled yesterday by Prime Minister Ruud Lubbers' caretaker cabinet, proposes higher spending on environmental clean-ups and welfare benefits while slashing income taxes.

Mr Lubbers, who is trying to set up a centre-left coalition between his Christian Democrats and the Socialists, nevertheless warned yesterday that budget discipline must continue in the next government.

The Socialists want to spend more on the generous welfare *system and polluted environ*ment and Mr Lubbers has promised to share out the fruits of his earlier austerity policies. But yesterday he argued that the country was at a "way station, not an end station" in efforts to cut the huge budget deficit and curb runaway state spending.

Mr Onno Ruding, the caretaker finance minister and architect of the austerity policies, echoed those sentiments. He noted that state debt would soar to 90 per cent of gross domestic product in 1990.

The budget deficit is forecast to narrow to 4.5 per cent of gross domestic product (GDP) in 1990 from 5 per cent this year as the public sector borrowing requirement edges up to Fl 42.2bn (£12.2bn) from Fl 41.7bn this year. Total spending is expected to be nearly flat at Fl 176.8bn compared to 1989.

Central and local government will spend about Fl 5.5 bn on cleaning up pollution this year compared with Fl 1.5 bn last year. Welfare benefits will rise 1 per cent and civil service salaries by 2 per cent.

Government receipts will total Fl 153bn, including Fl 2.64bn from the privatisation of state-owned companies. The privatisation of NMB/Postbank, the recently merged bank, is expected to raise around Fl 1.3bn at the end of October or beginning of November.

Income taxes will be slashed by nearly Fl 5bn as the highest marginal tax rate is lowered to 60 per cent from 72 per cent to start bringing the Netherlands in line with average European levels.

FINANCIAL TIMES

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EUROPEAN NEWS

French budget to include higher public spending

By George Graham in Paris

THE French government will today present its budget for 1990, including tax cuts, spending increases and a reduction in the budget deficit.

With strong economic growth boosting tax payments, the government is expected to propose some FFr16bn (£1.5bn) in tax cuts, only partly offset by increases in some other taxes.

At the same time, government spending is set to increase in a number of areas, especially education, whose budget is due to rise by 8.6 per cent to FFr227bn, with the creation of 12,000 new teaching and educational jobs, and low income housing.

Mr Pierre Bérégovoy, the finance minister, intends, nevertheless, to cut the French budget deficit in 1990 to FFr90bn, from FFr100bn this year.

The passage of the finance bill through Parliament may prove difficult, as it did last year. The government does not have an absolute majority, and may have to haggle with the Communists and the centrists to obtain their abstention on some contested measures.

But Mr Bérégovoy may also have a hard task winning the support of his own Socialist Party. While the right wing accuses him of not doing enough to harmonise French taxation with the rest of the European Community and to reduce tax pressure, some Socialists, taking their lead from President François Mitterrand, want a budget with more redistribution to lower income families and fewer concessions to companies and to the rich.

The left has criticised a number of cuts in savings taxes, totalling around FFr4.4bn, which the government thinks necessary in order not to put French financial services groups at a disadvantage compared to European rivals with lighter taxation. These include a 10 point cut in the optional withholding tax on bonds and the abolition from July next year of a 5.15 per cent levy on life insurance premiums.

A cut in corporation tax to 37 per cent, costing around FFr3.2bn, has also been attacked by the left, although it affects only reinvested income; distributed profits will continue to be taxed at 42 per cent.

Some Socialist politicians have also argued against the cut in the top rate of VAT to 25 per cent from 28 per cent, applied earlier this month, since the FFr6bn cut affects mainly cars, electronics and luxury goods such as furs and perfumes.

A cut in the lower rate of VAT for medical goods to 2.1 per cent from 5.5 per cent is intended to target lower-income groups, however.

The budget will also include a number of other measures presented as promoting social justice: a new wealth tax rate, levying 1.3 per cent on fortunes over FFr40m, the end of property tax privileges such as the deductibility of interest payments on home loans, and tougher tax treatment for stock option plans.

With nominal gross domestic product likely to grow by more than 7 per cent this year, and forecast at over 5 per cent in 1990, rising tax revenues may make it easier to maintain the deficit target of FFr90bn next year, but some economists are worried that government spending is rising faster than receipts.

In the first half of 1989, tax receipts rose by 5.8 per cent from the same period of 1988, but spending climbed by 7.4 per cent.

● About 1,000 striking tax officials invaded the Paris stock exchange yesterday, bringing trading on the bourse to a halt, dealers said, Reuter reports from Paris.

Trading on the share options market and in the six blue chip stocks was paralysed.

The tax officials are calling for a wage rise and negotiations with the government over career structures.

Continuous trading in French shares, which is carried out on computer screens, was unaffected by the strike. It was not clear how long the demonstration would last.

Fudging in Hungarian poll deal

Judy Dempsey on the agreement to introduce a multi-party system

HUNGARY'S ruling Socialist Workers' Party (HSWP) and the main opposition parties have agreed on how the transition to a multi-party system should take place.

The agreement – which several of the smaller opposition groups refuse to sign – paves the way for a non-Communist government but still leaves it likely that the next president will be a Communist.

The accord was reached after three months of negotiations between the Communists and the Opposition Round Table (ORT) of nine groups, of which the largest and most influential is the Hungarian Democratic Forum (HDF).

The agreement includes:

● Election of the president, who will be elected by a direct, nation-wide vote and before the free parliamentary election.

● Parliamentary elections to be held not later than 90 days after the presidential election.

● A new electoral law.

● An overhaul of the legal system, including the criminal code, so as to conform with "the accepted norms of human and political rights".

● The depoliticisation of the army, the Workers Guard, the armed wing of the party, will be brought under the direct control of the army.

However, the agreement, which has to be endorsed by Parliament, possibly next week, fudged on a number of key areas over which the Communist Party exerts control.

For example, the ORT failed to extract any commitment from the party that it will disband all its branches from the work places before the elections. This leaves the party free to exert considerable pressure on workers during the elections.

The other unresolved point is how the party's sizeable property holdings will be legally transferred to the state.

However, the issue which broke the unanimity of ORT was the election of the president.

The Association of Free Democrats, a small Budapest-based movement of intellectuals, and Fidesz, the independent youth movement, wanted the president to be chosen by the new Parliament. But Mr Imre Pozsgay, the leading reformer who is expected to be the party's candidate for president, outmanoeuvred these two small opposition parties.

It is understood that in return for accepting the party's proposals on the presidential elections, the HDF was tacitly promised the post of Prime Minister.

Yesterday, Mr Jozsef Antall, the HDF's main spokesman, denied what he termed "any collaboration with the party" despite suggestions to the contrary in yesterday's Magyar Hirlap, the government newspaper.

He was speaking at the HDF's Budapest headquarters, a highly organised office where the atmosphere is indicative of the movement's increasing confidence and support, confirmed by its recent success in three of the four parliamentary by-elections.

Mr Pozsgay also appears to have had his own personal or political reasons for reaching a quick agreement on the presidency before the party congress which starts on October 6.

If the Reform Circles, the reform wing of the party which is spearheaded by Mr Pozsgay, fails to push through a radical economic and political programme at the congress, the party could be formally split.

In such circumstances, the conservative wing (and Stalinist remnants) of the party, which loathes Mr Pozsgay, could put up its own presidential candidate and thus split the party vote.

This could precipitate three things: it could encourage the opposition to put up its own candidate; the Communists would lose the presidency; and Mr Pozsgay's personal political ambitions could be thwarted.

All these are real possibilities, and this could explain Mr Pozsgay's keenness to have the agreement endorsed by Parliament as early as next week and to secure agreement on presidential elections which could be as early as November 26.

The chances are that Parliament will endorse the agreement. But the prospects for the party remaining united after the congress are not so clear.

Mr Roland Dumas (left), the French Foreign Minister, shakes hands with his Polish opposite number, Mr Krzysztof Skubiszewski, after signing an economic co-operation agreement between Poland and the European Community.

Polish officials welcomed the accord as a token of the West's willingness to put commercial relations on a friendlier footing. The pact commits the EC to lift import restrictions over the next five years.

Agreement in Italy-Austria truck dispute

ITALY'S transport minister said yesterday he had reached agreement with truck drivers' union leaders to end an eight-day blockade of the Brenner Pass border with Austria, Reuter reports from Rome.

Mr Carlo Bernini said the accord would be put to a vote today by about 20,000 drivers whose lorries are parked on motorways leading to the pass and other crossing points in protest at Austrian restrictions on transit permits.

"I hope this agreement brings the dispute to a swift end," he told reporters.

Mr Bernini told the union leaders all drivers seeking permits to cross through Austria until the end of the year would get them and he would start meetings next week with railway chiefs on plans to transfer more freight from road to rail.

Vienna has accused Rome of failing to comply with an agreement to move freight over to rail.

Hint that Yugoslav PM may stand down

By Aleksandar Lebl in Belgrade

MR Ante Markovic, the Yugoslav Prime Minister, may resign after less than seven months in office if parliament fails to support his latest anti-inflation proposals at a debate which begins on September 29.

Mr Bozidar Marendic, the Development Minister, said this week that the package must be approved or rejected as a whole, and – while stressing that this was a personal view – he indicated that Mr Markovic would step down if it was rejected.

Mr Markovic has been under constant pressure from Yugoslavia's constituent republics to cut inflation, expected to reach 1,000 per cent this year.

But attempts to curb the republics' spending have repeatedly run up against powerful vested interests, and the Prime Minister has rejected suggestions that he resort to an outright price freeze, a tactic that has failed several times in the past.

The latest package includes: even more restrictive monetary and credit policy; greater efforts to identify deficits and fictitious assets at socialist-sector banks and companies, and in the accounts of the republics and municipalities, as well as of the federal government; turning part of the government deficit into public debt; closing down loss-making companies; and reducing the size of the civil service.

Stephen Fidler writes: Yugoslavia has bought back some $700m (£450m) of its own bank debt over the past 12 months, about 10.7 per cent of that outstanding, according to Yugoslav officials. Some $400m of Yugoslav reserves have been used to make the purchases, suggesting an average discount of almost 43 per cent of face value.

East Germany cracks down on protesters

By Leslie Colitt in Berlin

EAST German authorities, jolted by the exodus of citizens to the West, have cracked down on demonstrators pressing for political reforms.

More than 100 people were in custody in Leipzig yesterday after taking part in a demonstration by nearly 1,500 protesters on Monday evening.

Some wanted to emigrate, while others called on the orthodox leadership to respect human rights.

A new opposition group, New Forum, said meanwhile that 1,500 people had backed its founding appeal last week, which called for the leadership to begin a dialogue on reforms. Ms Bärbel Bohley, one of the founders, said she was surprised by the number of signatories.

Ms Bohley said New Forum had applied to be legally registered as an association in East Berlin and six other cities.

Athens debate on Papandreou charges

By Kerin Hope in Athens

THE GREEK Parliament yesterday started a two-day debate to decide whether Mr Andreas Papandreou, the former Socialist Prime Minister, should face trial on charges of ordering the illegal phone-tapping of opposition politicians, journalists and his own associates.

With the ruling conservative-communist coalition controlling 173 seats in the 300-member house, there seemed little doubt that tonight's vote will go against the 70-year-old ex-premier.

If the parliamentary inquiry's findings against Mr Papandreou are upheld by a legal investigation he would be tried before a special tribunal of Supreme Court judges.

Mr Papandreou, who has rejected the charges, was not expected to attend the debate.

The Socialist benches were only sparsely occupied as Mr Nondas Zafiropoulos, a senior conservative on the inquiry committee, accused the former prime minister of "insulting democracy and the personalities of Greek citizens" by authorising the National Intelligence Agency to run the phone-tapping operation from its headquarters.

Two senior Socialists, Mr Costas Tsimas, a former intelligence chief who is now a European Parliament member, and Mr Theofanis Tombras, previously head of the Greek telephone company, are also accused of violating constitutional safeguards on privacy in the phone-tapping scandal.

The coalition government, which was formed after the Socialist defeat in an inconclusive election in June with a mandate to clean up corruption, staged several parliamentary investigations into scandals that outraged public opinion during the Socialists' eight years in power.

Just before the debate opened, a special fact-finding committee delivered a report concluding that Mr Papandreou had mishandled a billion-dollar warplane purchase with the result that Greece paid inflated prices for 40 French-made Mirage 2000 aircraft.

OVERSEAS NEWS

Japanese money supply up 9.6%

By Robert Thomson in Tokyo

JAPAN'S money supply in August rose 9.6 per cent on the same month last year, down from 9.8 per cent in July, but still not enough to satisfy the Bank of Japan, which had been hoping for a more significant decrease and will be tempted to tighten control over money further.

An official at the central bank said that the money supply trend should become clearer in September. Forecasts have been made difficult by the introduction of a new small-lot money market certificate and a cut in the minimum lot of large denomination time deposits.

Mr Takahide Furuhashi, chief researcher at DB Capital Markets (Asia), said that the central bank wants money supply growth of around 8 per cent, given the nominal 6 per cent economic growth at present. Mr Peter Morgan, of Barclays de Zoete Wedd, said that the Bank of Japan and the market had been expecting a lower growth rate for the month.

"The rate would tend to push the bank in the direction of a tighter policy," Mr Morgan said.

Refugees divide along race lines

Security has been tightened at refugee camps in Japan following clashes between Chinese and Vietnamese refugees, who are demanding that the two nationalities be housed separately, Robert Thomson writes.

After fights between the two groups at the weekend, about 20 people were injured, 400 Vietnamese at a refugee centre in Tokyo staged a sit-in, and displayed placards including "we are political refugees – get rid of the Red Chinese".

Visits to northern isles condemned

The Japanese Government yesterday warned Japanese to avoid visiting the Northern Territories, four disputed islands off northern Japan which were seized by the Soviet Union in the last days of the Second World War and are claimed by Japan, Stefan Wagstyl writes from Tokyo. Japan believes that by accepting Soviet visas such visitors have implicitly recognised Soviet sovereignty.

Meanwhile, Mr Georgi Arbatov, director of the Institute of US and Canadian Studies in Moscow, told a Japanese newspaper that there was no possibility of Moscow returning the disputed islands. "Even one half of a small island, if we return it, it will open up the whole Pandora's box of territorial questions."

Burkina Faso coup leaders shot

FOUR leaders of a foiled coup in Burkina Faso, including two deputies of President Blaise Compaore, were executed after security agents discovered their plot, the official Burkina Faso News Agency said yesterday, AP writes from Abidjan. It said security agents had thwarted an attempt to seize Mr Compaore upon his return from a trip to China late Monday.

Mr Clément Ouedraogo, a government spokesman, said Maj Jean-Baptiste Lingani and Capt Henri Zongo, the second- and third-ranking men in Mr Compaore's Popular Front military government, had been executed along with two other military personnel involved in the plot. The other two executed men were not named.

The executions mark the final breakup of a clique of young officers who came to power with Capt Thomas Sankara in 1983.

Volvo joint deal sets pace for S Korea carmakers

Ssangyong venture involves the first plans to design and build a new model, writes Maggie Ford

The Volvo 240: starting point for collaboration

THE decision by Ssangyong Motor, South Korea's fourth-largest carmaker, to produce a Volvo model in South Korea and to develop a new car jointly with the Swedish company is a big step forward for the country's motor industry.

It is the first time a South Korean motor company has attempted to develop new technology with a foreign company.

Mitsubishi of Japan and General Motors and Ford of the US have stakes in local car makers, and the South Koreans have formerly built cars to bought-in designs. Hyundai Motor, the biggest local company, has designed overseas its new Sonata model, recently launched in the US.

But none has yet achieved the expertise required to design and manufacture a new model.

Final agreement on the details of Volvo's investment is expected to be reached by the end of the year. Production of up to 50,000 cars a year is expected at first for the fast-developing domestic market in South Korea, where sales surged in the first half by 47 per cent, and later for export.

The deal also represents an upgrading of the company's importance in the local car industry. At present it makes jeeps, vans, trucks and fire engines and hopes to develop a capacity of 100,000 vehicles in two years. It is also holding discussions with international motor companies about upgrading its four-wheeled drive vehicles.

Under the agreement with Volvo, which may involve a joint venture, a stake in Ssangyong or a combination arrangement including royalties and licensing, the 2.3-litre model 240 will be manufactured in South Korea.

The company was attracted to Volvo because of the car's reputation for fine engineering and safety. The deal will also offer opportunities for foreign components makers associated with Volvo to enter into deals with South Korean suppliers to make parts locally.

South Korea is already proving attractive to components makers. Valeo of France recently established a joint venture to produce clutches and clutch facings for the three main South Korean motor manufacturers.

The venture, known as Valeo Pyeong Hwa, is capitalised at £25m and sales of £30m are expected this year. The investment followed a decision by Hyundai, for whom the company is a big supplier, that quality should be upgraded by the introduction of foreign technology.

Mr Noel Guitard, chairman of Valeo, said the joint venture would transfer technology to South Korea and also promote design ability among the company's local staff.

At Ssangyong, the president, Mr M W Sohn, said his company felt the key factor in the future world market would be whether a company could develop its own car. South Koreans needed to learn how to do this from foreign companies such as Volvo, while offering a good business opportunity in return.

Mr Sohn said South Korea had good engineering knowledge, but lacked experience and confidence in design. Cooperation with a foreign manufacturer on an equal complementary basis was necessary in what was now a global car market.

Ssangyong's deal with Volvo is part of a growing trend in South Korea to welcome more foreign investment which would enable the country to make the jump from producing medium technology volume goods to the high technology capability appropriate for a developed country.

Foreign investment over the past 25 years has totalled only $5.5bn, much of it in hotels and retailing. By contrast South Korea's gross national product is expected this year to reach $200bn.

Exports fell by 29 per cent, reflecting the recession in the US, erosion of price competitiveness and the failure of South Korean manufacturers to introduce new models.

South Korean carmakers have not yet finalised their strategy for dealing with the unified European market or come to firm conclusions about the direction of US sales over the next year.

But Ssangyong's decision to collaborate with a foreign manufacturer on design points the way to the future. Other opportunities for foreign manufacturers may not be far behind.

Rome bank 'financed both sides' in Gulf war

John Wyles explains the latest twist in the BNL scandal

ONE of the oddest aspects of the Banca Nazionale del Lavoro's involvement in financing the supply of military equipment to Iraq is that BNL seems also to have been financing an illicit arms trade with Iran.

This, at least, is the conviction of Mr Felice Casson, a 36-year-old investigating magistrate in Venice, who is preparing a case against Mr Nerio Nesi and Mr Giacomo Pedde, BNL's former president and director general, both of whom resigned when the scale of the affair became apparent a fortnight ago.

The fact that both men quit when faced with evidence that the BNL branch in Atlanta, Georgia, had made unauthorised commitments to Iraq of $3bn and not because they were under investigation for illegal arms trading says something about how lightly the latter activity has been viewed in Italy.

In fact, there has been an equivocal air about the Italian government's support for international calls for an arms embargo in the two belligerents. It has never put its embargo against Iran and Iraq on the same footing as embargoes against Syria and Libya. Moreover, political backing for the enforcement of a 1987 law requiring permits not only for all arms exports, but also prior official approval even to *negotiate* arms sales has been at best weak, at worst non-existent.

As magistrates and government officials begin to identify a middle-level manager or managers inside BNL's Rome headquarters who were apparently aware of the vast credits being disbursed by the Atlanta branch, they are also beginning to question whether Italy's largest public bank would have been involved in financing both sides of the war without some political approval. At the very least, BNL's business posture sat comfortably in line with the "even-handed" political approach to Iraq and Iran laid down by Mr Giulio Andreotti, foreign minister since 1983 until he began his sixth term as prime minister in July.

For 3 years, Judge Casson has been meticulously building his case about an international arms trade with Iran.

He believes he has established that BNL was part of a pool of European banks that were financing the supply of arms to Iran by British, French, Dutch and Italian companies up to the end of 1987.

Mr Casson's case against BNL begins with the minutes of an executive committee meeting of May 24 1984 which authorised bank officials to guarantee the sale of "military materials" to Iran. It also includes credit instructions sent to BNL subsidiaries in Paris and Turin specifically referring to the supply of military materials to Iran. Two such documents were signed by Mr Pedde in his then role as head of BNL's credit services.

Mr Nesi has denied knowledge of these and claims to have been absent from the May 24 executive committee. "Mr Pedde says that he did not know what he was signing," says Judge Casson.

Mr Casson has issued arrest warrants against the husband and wife team who run Bertoldo of Turin which he claims was supplying fuses and arms components, and also against the top manager at Consar. This Rome-based company, together with SEA of Turin, is a subsidiary of the French company, Luchaire which has been investigated by French magistrates for illegal arms trading. Although the Paris magistrate, Michel Legrand, found that Luchaire had supplied Iran with at least 59,000 shells, he concluded that this was not against French law and shelved his investigation for lack of evidence.

Much of the trade out of Italy was in the form of fuses and detonators which were assembled into munitions elsewhere, often Portugal and Greece. As is now common export cargoes were accompanied by documents indicating false final destinations.

The Venetian judge has, in fact, also issued arrest warrants against some members of the inter-ministerial committee in Rome which issued formal export permits for some shipments on the grounds that simple checking would have revealed that the materials in question could not have been bound for their declared destinations.

Judge Casson believes that a petroleum trading company in London co-ordinated much of Iran's procurement and that both Consar and Sea were key intermediaries, although in France Luchaire has declared their innocence. The value of contracts financed by the pool of banks cannot be known for certain, but it is more likely to have been billions rather than millions of dollars.

Suharto wins party backing for sixth term as president

By John Murray Brown in Jakarta

PRESIDENT Suharto of Indonesia has received backing from the minority Indonesian Democratic party (PDI) to run for a sixth term in 1993, despite the apparent misgivings of large sections of the country's military.

Mr Ipik Asmasoebrata, spokesman for nationalist Christian based PDI, announced his party's support, just days after the Indonesian leader warned unnamed persons against trying to remove him unconstitutionally. President Suharto, who came to power in 1965 after crushing a left wing coup attempt, has stood unopposed in all four previous elections in the country's largely handpicked People's Consultative Assembly.

In memoirs published earlier this year he hinted he may step down. However he has deliberately declined to nominate a successor. And many diplomats and businessmen believe the 68-year-old former army general is now laying the groundwork before announcing his formal candidacy for the 1993 presidential elections. "He wants it to fall on his lap like before," said a senior government official.

In June in a statement to cabinet, he criticised the Indonesian press for sensationalising the issue, which he said would be decided by the next Assembly session in 1993. He also warned his ministers not to be dragged into the debate which he said only confused the public.

The Indonesian military has been the main pillar of the New Order regime. However it is thought to be particularly unhappy with the business activities of the President's children, who are increasingly exploiting the family name. The military is also concerned at the President's erratic political judgement highlighted by the memoirs in which he accepts government responsibility for the killing of 5,000 people in a crackdown on organised crime in 1984. Previously the army said the deaths were the result of gang feuds.

The army however is unlikely to oppose the President should he stand again. This week in Parliament, where the armed forces have a statutory 100 seats, the military spokesman ruled out the possibility of putting the issue to a vote. This he said would "leave a residue of defeat for the candidates who lost."

Maude urges China move to restore HK confidence

By Michael Marray in Hong Kong

CHINA should take steps to restore confidence in Hong Kong, and ensure that local concerns about the basic law are reflected when the final draft is formulated, Mr Francis Maude, the foreign office junior minister with special responsibility for Hong Kong, said yesterday at the end of his visit to the colony.

Mr Maude said that though it was a matter for China to draft the Basic Law in consultation with Hong Kong, it was "equally clearly legitimate and proper for us to express views about the content and the format of the Basic Law," and that Britain would continue to press home its views.

But with only a week to go before the Sino-British Joint Liaison Group meeting in London he added that this would not always be done "through megaphones", signalling an end to the public slanging match which took place in August which saw China angrily criticising a Hong Kong official who spoke out on the Basic Law, prompting Mr Maude to dismiss the Chinese reaction as "ridiculous".

During his stay Mr Maude spoke to government officials and legislators as well as businessmen and spokesmen for pressure groups, and despite lingering irritation in Hong Kong over Britain's treatment of issues such as right of abode in the UK for Hong Kong people and the Vietnamese boat people problem, his three-day mission was generally judged to have gone well.

Mr Lee Wing Tat, the Kwai Tsing district board chairman who walked out on Sir Geoffrey Howe, the former Foreign Secretary, during his visit to the colony in July, said that Mr Maude seemed quite sincere and ready to hear the views of Hong Kong. This time he opted to put his views quietly, telling Mr Maude that it was important for confidence that the UK throw its weight behind any consensus model on the development of democracy in the territory – even in the face of opposition from China.

Peace threatens prickly partnership

Hugh Carnegy in Jerusalem traces Yitzhak Rabin's steps to solve the Palestinian issue

FOR A man so often portrayed as the strongman of Israel's fractious coalition government – its one true statesman – Mr Yitzhak Rabin looked remarkably ill at ease as he met Egypt's President Hosni Mubarak in Cairo on Monday.

Maybe the slightly-built former Labour Prime Minister and Chief of Staff has a shy streak. But if the reason was fear that his dramatic trip might end up going the way of so many previous failed attempts to get peace talks started, it was understandable.

Leaving aside whether President Mubarak can deliver the Palestinians to talks he has proposed with Israel, Mr Rabin, Minister of Defence since 1984, is attempting a balancing act of the greatest delicacy in trying to deliver his side.

Whether he can do so without precipitating a break-up of the Government was increasingly being called into question in Israel after his Cairo visit. The trip exposed more sharply than ever the differences over peace moves between Labour and the senior coalition partner, Likud, led by Mr Yitzhak Shamir, the Prime Minister.

Mr Rabin briefed Mr Shamir on his Cairo visit yesterday, and they apparently agreed not to force the issue until Mr Shimon Peres, the Labour leader, and Mr Moshe Arens, the Likud Foreign Minister, return from the US where they are expected to meet President Mubarak.

Crises in the prickly partnership, which has survived for five years and one general election, come, as Mr Arens joked on Monday, come about once a month. But Mr Rabin knows that ultimately, on how to deal with the Palestinians, the positions of the two parties are irreconcilable.

It has suited both Mr Rabin and Mr Shamir to set aside their differences. This was most clearly shown in the peace initiative offered by the Government in May. It proposed bringing an end to the Palestinian uprising in the occupied West Bank and Gaza Strip by holding elections leading to interim Palestinian autonomy. But it deliberately did not address the key question of what shape a second-stage final settlement might take.

Mr Rabin, worried both by Labour's electoral slippage and the policies of those to the right of Mr Shamir, like Mr Ariel Sharon, hoped a peace process could be started without breaking up the coalition.

Little progress was made until President Mubarak put forwards a 10-point proposal meant to clarify the Israeli plan. Labour, including Mr Rabin, immediately showed interest as the Egyptian conditions were close to party policy – particularly the willingness to base negotiations on the understanding that Israel was prepared to yield territory in exchange for peace.

Mr Shamir and Likud are prepared to do no such thing. Nor are they giving ground, as Labour has done, on the Egyptian suggestion that the Palestinian delegation to any talks include figures from outside the occupied territories – a move to involve the Palestine Liberation Organisation.

In a previous Labour-Likud row in July, Mr Rabin was instrumental in forging a reconciliation. That he is taking the lead on the Labour side suggests that he is ready to challenge Likud.

If a showdown comes, Mr Rabin will have something concrete to offer the Israeli electorate in the form of the Egyptian option, an option which, crucially, the US views favourably. He would then portray Likud as the party which blocked a genuine prospect of peace.

If events turn his way, he could supplant the unpopular Mr Peres as Labour leader and once more be a candidate for Prime Minister. But if they do not, the political prospects for both Mr Rabin and Labour are grim indeed.

Cairo talks 'encouraging', says PLO

By Tony Walker in Tunis

THE Palestine Liberation Organisation has described as "encouraging" reports from Cairo that progress has been made towards preliminary negotiations between Israel and representative Palestinians on elections in the occupied territories.

But PLO spokesman say that deep differences inside Israel make it unlikely that a dialogue will begin soon.

They were speaking as Mr Yassir Arafat, the PLO leader, prepared to visit Cairo for the third time in just over a week to discuss an Egyptian initiative for talks on the Israeli proposal of elections for the West Bank and Gaza Strip.

Mr Abu Jaafar, a member of the PLO delegation engaged in a dialogue with US officials in Tunis, said yesterday that if Israel agreed to the participation of Palestinians from outside the occupied territories in the team negotiating arrangements for elections then he could see no reason why these talks should not proceed. He indicated that Palestinians at such talks would not need to be prominent in the PLO itself.

"According to our charter all Palestinians are PLO," he said. The PLO has insisted that Palestinians from the diaspora must be involved in any discussions about elections.

Israel has proposed elections for the West Bank and Gaza to select Palestinian representatives to negotiate the future status of the territories. The PLO is deeply suspicious of the proposal which it sees as an attempt to drive a wedge between it and the residents of the territories.

Washington proposed preliminary discussions on the election plan as a way of building confidence between the two sides. Egypt has offered to play a mediating role.

It was against this background that Mr Yitzhak Rabin, Israel's Defence Minister, was invited to Cairo on Monday for talks with President Hosni Mubarak. Mr Rabin said later that he would accept Egypt as a mediator, and he also indicated his agreement to the participation of Palestinians from the diaspora in negotiations on elections.

Mr Yitzhak Shamir, Israel's Prime Minister, has said, however, that the involvement of such Palestinians would be unacceptable. He described Egypt's initiative as "unkosher".

Deng Xiaoping (second right), China's supreme leader, made a rare public appearance yesterday. He is pictured in Peking with Mr Masayoshi Ito, one of a visiting delegation of Japanese MPs

UN presses for Gulf peace talks

By Michael Littlejohns, UN Correspondent

MR JAN ELIASSON of Sweden, UN Special Envoy in the Gulf peace effort, will conduct shuttle diplomacy between Tehran and Baghdad next month, in a bid to get direct negotiations going between the two sides, it was announced yesterday.

Mr Javier Perez de Cuellar, the Secretary-General, said he was optimistic – because "I believe both countries want and need peace". Both sides agreed to Mr Eliasson's mission. Mr Perez de Cuellar said he expected to meet Mr Ali Akbar Velayati and Mr Tarik Aziz, the Iranian and Iraqi Foreign Ministers, soon.

Kenya's economic reformers put their faith in income tax

Taking International Monetary Fund medicine means scrapping duties and introducing taxes, reports Julian Ozanne

FOR MORE than 20 years Macharia Gichinga has farmed maize, beans and a few vegetables near the base of the snow-capped Mount Kenya. Sometimes the crops failed, but most years he has earned an income well above the average for himself and his family. But he has never paid a cent of income tax.

"The government has never asked me for tax, so why should I pay?" he says.

But times are changing for Mr Gichinga. Like other African governments which have embarked on the process of structural adjustment, Kenya is attempting to increase state revenue and curb its budget deficit.

Cutting government spending and either privatising state corporations or putting them on a commercial footing is part of the strategy.

But at the same time, the government has embarked on a radical tax reform programme, both widening the tax base and changing its structure. As this gets under way, the days when Kenyan farmers lived in blissful ignorance of the taxman are drawing to a close.

They are now liable to what is called a presumptive tax on their earnings, levied at a rate of 5 per cent on the expected or presumed value of gross sales of agricultural produce. This brings Mr Gichinga and around three million peasant farmers into the taxman's net.

When it came into effect last July, there was uproar in parliament, where the farming lobby is well represented. Several MPs called for the tax to be scrapped on the grounds that it would be impossible to collect, and would place an intolerable burden on impoverished farmers.

But the government has refused to yield. Collection is feasible, say officials. The Income Tax Department will collect the 5 per cent from primary processors, factories and state marketing boards rather than directly from farmers. So the tax on barley growers will be collected from Kenya Brewers, the sole buyers, cotton growers will be taxed through the ginneries, and coffee producers through the Coffee Board of Kenya and so on.

Last month, in anticipation of the tax, several processors, like British American Tobacco, mooted the possibility of raising the price paid to growers by 5 per cent. If this is followed in other agricultural sectors, the farmer will not have to feel the pinch.

The budget also saw the reduction of a number of import duties, the abolition of export duties on tea and coffee, and gave notice of the intention to replace sales tax with Value Added Tax with a basic rate of 17 per cent.

This comprehensive tax reform package goes hand in hand with the government's trade liberalisation policy. The government hopes VAT will have several advantages. It will apply to most goods and services and therefore extend the range of taxable activities. But giving exports a zero-rating under VAT, will, government officials hope, encourage manufacturers to shift away from import-substituting industries towards markets in the region and beyond. Meanwhile, poor Kenyans will be cushioned by zero-rating of essential commodities like sugar, bread, and maize.

Should the Kenyan model prove successful, it could have implications for other African countries where tax systems are rudimentary.

Around 85 per cent of the continent's population are smallholder farmers and informal sector workers who are difficult to assess and pursue for tax. Paying personal income tax is often restricted to public sector workers and employees of large companies who can be easily taxed at source.

In Kenya for example, only 2 per cent of the population have paid income tax, a figure typical of most African countries. But so far, governments have had neither the inclination nor the administrative capacity to tax the income of farmers and other occupations outside the tax net. Instead, they have concentrated on the easy option of taxing international trade as their main source of revenue.

These taxes were easy to administer, generated a high level of revenue, and offered nascent economies a large measure of protection for domestic production.

Hence the continent's complex tariff systems with differentiated rates, rebates, duty-drawbacks, quantitative restrictions or prohibitions, and export taxes levied on cash crops as a substitute for taxing the income or property of small-scale farmers.

The adverse consequences are many. Heavy import tariffs promoted inefficient domestic patterns of production and penalised consumers. Excessive export taxes encouraged cash-crop farmers to smuggle their goods or move into more subsistence agriculture and production for the local market. And the web of bureaucracy discouraged foreign investors and encouraged corruption.

So far, few African governments have grasped the tax nettle, although it is becoming apparent that the existing tax regimes are incompatible with efforts to liberalise trade and promote exports – key features of the structural adjustment path advocated by the International Monetary Fund, the World Bank and many donors.

But in Kenya at least, the tax reform process is under way, and farmers like Mr Macharia will find that their tax holiday has ended.

Puerto Rico seeks aid as Hugo blows towards US

By Canute James in Kingston

THE GOVERNOR of the US Caribbean territory of Puerto Rico, Mr Rafael Hernández Colón, has asked the federal government to declare it a disaster area, following the impact of Hurricane Hugo on Monday.

He has also asked for assistance to repair the extensive damage caused by the storm, which was affecting the British colony of the Turks and Caicos Islands last night and threatening the Bahamas.

Forecasters said Hugo would hit the south-east coast of the US on Friday, striking between the Florida peninsula and the Carolinas.

The appeal by Mr Hernández Colón followed the revelation of the devastation brought by the storm to the territory of 3.5m people. The death toll yesterday rose to 26, with an estimated 100,000 left homeless. The number of deaths could increase, six families being reported missing yesterday.

Telephone and electricity services and water supplies have been disrupted, and Puerto Rican officials said these would not be restored for another week.

Efforts are being made to reopen the airports by today. Relief supplies were being flown in by helicopters yesterday. The damage caused by Hugo's 140 mph winds, as the storm's eye passed the territory's north coast, was followed by several incidents of looting in the commercial sector of San Juan, the capital.

Almost all buildings were extensively damaged on Culebra and Vieques, two small island dependencies just east of Puerto Rico itself.

Hugo had cut a destructive swathe through other islands in the north-eastern Caribbean at the weekend. On the French island of Guadeloupe, six people were killed and about 10,000 made homeless. There was extensive damage to agriculture, mainly bananas, and to several tourist resorts.

The French government has sent hundreds of tents and emergency bedding, food and medicines, while military engineers from France and the neighbouring French island of Martinique were trying yesterday to restore electricity, water and communications.

The tiny British island colony of Montserrat was in "utter devastation," according to the pilot of a light aircraft which flew over the island of 12,000 people yesterday. Reports from there say four people were killed in the storm, and that nine out of every 10 houses were without roofs, and some destroyed. The British Government is to make £1m in emergency aid immediately available to the affected islands.

The Royal Navy's HMS Alacrity has docked at Montserrat, and its crew has started clearing the island's runway to allow relief to be flown in. Montserrat's hospital was flattened by Hugo. Mr John Osbourne, Chief Minister, described Hugo as "a hell of a thing."

The storm also affected Antigua, where two people were killed, and extensively damaged roads, buildings and agriculture – mainly banana farms – on Dominica and St Lucia. These two islands, with St Vincent and Grenada, supply about two thirds of the bananas consumed in Britain.

As it headed into the southern islands of the Bahamian archipelago yesterday, Hugo lost some force, with winds near the eye measured at 105 mph.

Weather forecasters in the region are also monitoring the movement of Tropical Storm Iris, which was about 300 miles east of the Leeward Islands yesterday afternoon, with winds of 60 mph. Iris was moving on a more northerly path than did Hugo, and was thought unlikely to damage the north-eastern Caribbean.

Our Foreign Staff adds: The Intasun holiday company in Britain said yesterday it had moved 684 holidaymakers from the Dominican Republic to Miami, away from the hurricane. Another 235 passengers remained in the Caribbean country in secure properties.

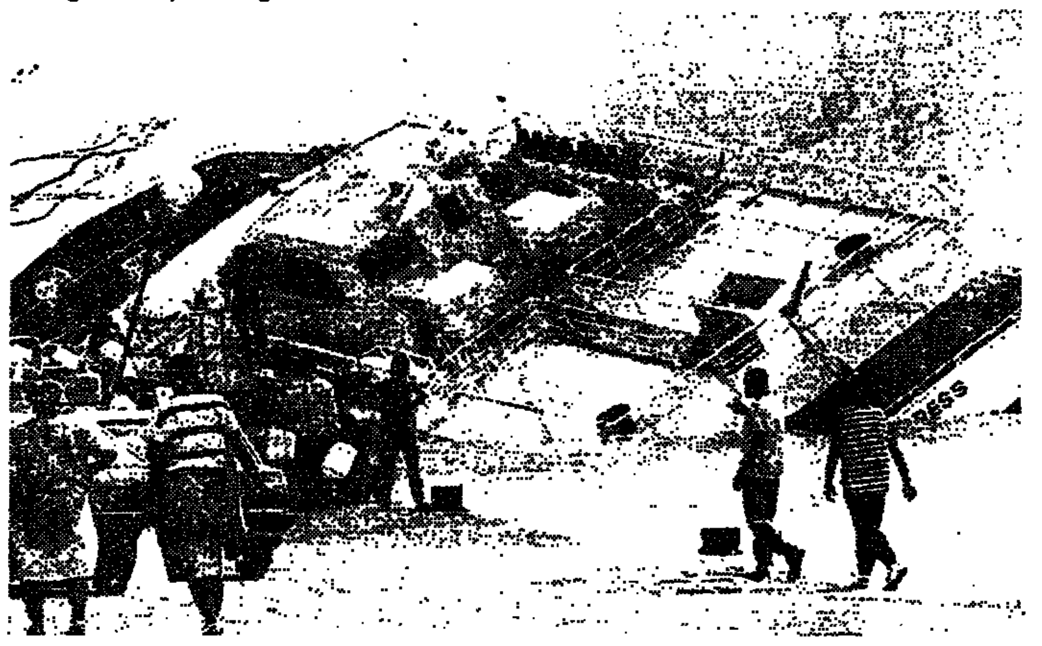
An aircraft was going to Miami yesterday to pick up passengers due to return to the UK.

Intasun also has 79 holidaymakers in the Bahamas. The company said that, as a precaution, they are also being transferred to Miami.

A spokesman for Airtours, a Manchester-based tour operator said, however, that many British holidaymakers appeared unconcerned yesterday by the effects of Hurricane Hugo. No holidaymakers had cancelled because of the hurricane, tour operators added.

About 1,300 Britons on holiday with Airtours in the Dominican Republic have been moved to the sheltered south side of the island.

Holidaymakers flying out with Caribbean Connection, a specialist operator to the Caribbean, have been re-directed towards Barbados rather than Antigua or other islands affected by the hurricane. Mr Drew Foster, managing director, flew yesterday to the Caribbean to check on holidaymakers.



A passenger boat blown ashore in the Guadeloupe capital of Pointe-à-Pitre this week

Special watch on US banks' junk bond role

By Nancy Dunne in Washington

US BANKING regulators yesterday said they are taking "special supervisory action" to monitor US banks' participation in junk bond issues and highly-leveraged loans used to finance corporate restructuring.

Mr L. William Seidman, chairman of the Federal Deposit Insurance Corporation, told a Senate Banking sub-committee that US banks have invested about $150bn in leveraged buy-out loans.

"Concentrations in this area must be avoided," he said. Rising interest rates or an economic downturn could lead to business defaults and bank failures, and threaten the health of the federal deposit insurance fund.

Mr Manuel Johnson, vice-chairman of the Federal Reserve Board, said that FDIC rescues during this decade have already reduced the insurance fund, relative to the size of insured deposits, to an historically low level. At the end of 1988, the fund was equivalent to only 0.8 per cent of insured deposits – a level sharply lower than that of the year before.

The fund declined by $4.2bn during 1988 to $14.1bn. Continued large outlays this year have further reduced its resources. "It should be rebuilt as soon as possible," Mr Johnson said.

Although the regulators insisted that conditions in the US banking industry are improving, partly due to the requirements of the recently legislated savings and loan industry rescue, they said leveraged buy-outs warrant particularly close scrutiny.

Under the S&L legislation, deposit insurance premiums for banks are scheduled to rise gradually from the current 8.3 basis points of deposits to 15, beginning in 1991. However, it will be several years before the fund can be restored to its traditional levels.

Mr Johnson said: "Our view is that any loan – whose repayment is not based on identifiable sources of cash flow that are realistic in terms of current, as opposed to future or expected economic conditions – is speculative and should involve undue risks."

More than 150 US banks have already failed during the first eight months of the year – a pace similar to the record number which failed in 1988. Although the assets of banks that failed this year are significantly less than those of last year, at more than $25bn, they are still very large by historical standards, Mr Johnson said.

RJR Nabisco seeks reshaped deal, page 38

Demand still weakening

By Anthony Harris in Washington

NEWS yesterday of a standstill in US retail prices in August, and a sharp and unexpected fall in house-building in July, confirmed that demand pressures are still weakening in the US economy. Bond prices rose slightly after the announcements, and the rally in equity prices was checked.

The price announcement from the Labour Department showed that price increases were checked mainly by gluts in the apparel and petrol markets.

Clothing prices fell 1.5 per cent after seasonal adjustment, reflecting abnormally heavy end-of-season price cuts, and petrol prices fell by 4.2 per cent – the sharpest fall in one month since 1986. Petrol prices have now fallen by nearly 21 per cent from their 1981 peak.

The main inflationary forces which offset these falls were in markets where competition is weak, and where prices increases have been consistently high.

Housing starts fell 5 per cent in July, according to the Commerce Department. This brought the fall in activity over the last 12 months to 7.3 per cent, while the more reliable figures for new building permits, which have been very low in recent months, were 9.5 per cent down on the year.

IMF faces resources and precedence issues

By Peter Norman, Economics Correspondent

THE TWIN issues of whether to raise the resources of the International Monetary Fund through an increase in membership subscriptions, and Japan's wish to supersede Britain as number two in the fund's pecking order, will generate more heat than light at the IMF annual meeting this year, to start next week.

Mr Michel Camdessus, fund managing director, has been campaigning hard for a doubling of subscriptions or quotas from the present SDR90bn (£71.6bn) level, and claims overwhelming support from fund members for a substantial increase.

However, the US, with a SDR17.9bn quota, can veto any increase and shows no inclination yet to decide its stance, despite an end-year deadline. Britain, while unenthusiastic, would accept a modest quota increase of up to 25 per cent, according to Mr Nigel Lawson, Chancellor of the Exchequer.

The pros and cons of a quota increase are finely balanced. The fund says it needs a rise of at least 50 per cent to keep pace with growth in the world economy since the last increase in 1982-3. It would like to provide for unforeseen problems that could occur after the current phase of strong world economic growth ends.

Opponents say a large quota increase would soften the IMF, turning it from a monetary institution into even more of a development assistance entity than it is already. They say the fund has sufficient resources.

The amount of fund credit outstanding declined to SDR25.5bn in its financial year to the end of April, from SDR37.6bn in 1984-5. Its liquidity – the proportion of unused resources as a percentage of total used resources – stands between 80 and 100 per cent, compared with about 70 per cent in the past 10 to 15 years.

Among the top five shareholders, France wants to double quotas while West Germany and Japan support substantial increases.

It would be technically easier to couple a special quota rise for Japan with a large general quota increase, enabling Japan to displace Britain. It has been suggested that the UK could join France as joint number four in the IMF, which would leave it with the important organisational advantage of its own executive director – a privilege enjoyed only by each of the G5 countries plus Saudi Arabia and China.

Although the quota issues will bulk large at the IMF meetings, any change requires an 85 per cent majority and so depends on what the US decides to do with its 19.9 per cent share of all IMF votes.

Non-US monetary officials believe Washington will sit on its hands until late October because of domestic budgetary problems, then seek to make maximum political capital out of its decision. Washington could decide to put any eventual quota increase in a headline-grabbing debt "initiative" or extract Japanese concessions in the non-monetary sphere for helping Tokyo to the number two position.

Although Mr Ryutaro Hashimoto, the new Finance Minister, will be pressing the Japanese case in Washington, Mr Lawson yesterday made clear that Britain will not negotiate a change in its IMF ranking before agreement has been reached on a general quota increase. Britain may have slipped down the world economic league table since the pecking order set up but the Chancellor has some cards up his sleeve because none of the formulas used to calculate quota increases would automatically displace Britain from its present rank.

Commonwealth fund move

COMMONWEALTH finance ministers are meeting in Jamaica today and tomorrow to discuss economic problems facing developing countries, Canute James reports from Kingston.

The ministers will also consider a study, which they had requested of the Commonwealth Secretariat, on the establishment of an equity fund intended to channel investments to stock markets of the developing countries in the group.

The proposal is for a fund of at least $50m. If accepted by the finance ministers, Commonwealth heads of government will be asked to approve the institution when they meet in Kuala Lumpur in October.

Also before the finance ministers is a study on the effects on women of structural adjustment policies implemented by several developing countries.

Equity fund details, page 40

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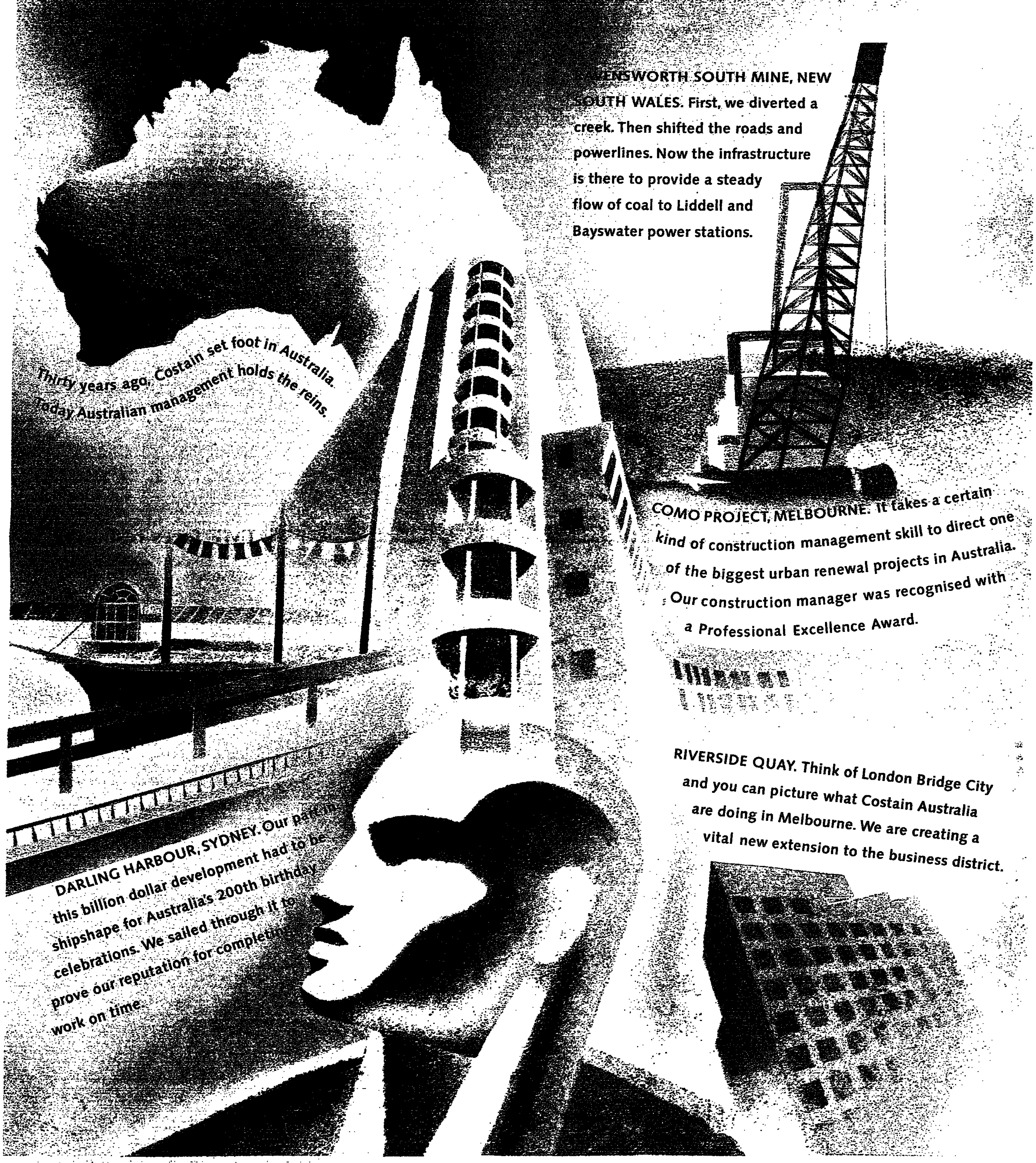

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WORLD TRADE NEWS

Two Japan-controlled computer printer groups face dumping duties

By **Tim Dickson** in Brussels

THE European Commission yesterday proposed anti-dumping duties be imposed on dot matrix computer printers assembled in the UK by two Japanese-controlled companies.

The move is part of Brussels' continuing attack on so-called "screwdriver" plants, factories where imported components are assembled and which the EC says are used to circumvent its dumping penalties.

Yesterday's proposal follows a complaint by European manufacturers in November last year that some of the companies hit by the EC's crackdown on printer imports from Japan the previous May, were getting round the penalties.

In its investigation, Brussels found that Brother Industries, Citizen Manufacturers, Matsushita Electronic Industrial Company, and OKI of the UK, Fujitsu Espana of Spain, Seikosha (Europe), and TEC Elektronik of West Germany were all meeting the requirement that at least 40 per cent of the parts used in the assembly (by value) were not imported from Japan.

Epsom France and Epsom UK, which had been importing 62 per cent and 73 per cent respectively of their component parts during the period under review, have more recently been respecting the 40 per cent threshold and the Commission has accepted their undertaking that this will continue.

Only NEC Technology and Star Micronics Manufacturing, which Brussels says imported 68 per cent and 98 per cent of its parts from Japan, are being singled out.

The proposed duty for their domestic products will be the same as those imported by the mother-companies, namely up to Ecu30 per machine for NEC, and up to Ecu14 per machine for Star.

Australia's books judged by the price of their cover

Furore follows recommendations to end costly copyright protection provisions, writes **Chris Sherwell**

MOST Australians love their country and would not live anywhere else. But many do not realise they pay for it in a myriad of ways, among them high prices for basic items such as clothes, shoes, cars – and books.

In each instance the essential reason is protection. But the case of books is far more sensitive than that of cars or clothing. As a result, a recent recommendation that the Government make Australia an "open market" for books has provoked a furore.

The recommendation came earlier this month from the Prices Surveillance Authority, an agency which monitors prices in the economy. Under the existing system, it said, Australian consumers were gaining access to books published abroad far too slowly and paying far too much.

"Books – and the knowledge they contain – are too important an element in Australia's cultural and economic life for there to be any justification for them being priced out of reach," the authority declared.

The finding itself was unexceptional. Anyone can see that Australian consumers not only pay a third more than their British counterparts for a British book, but that they also pay more than the Japanese. Hardback editions of US books become available after appearing in paperback form in neighbouring South-East Asia.

The reason is also well-known, and has to do with the formal and informal agreements under which copyright for English-language books has historically been divided between US and UK publishers. The result is that UK publishers have traditionally acquired exclusive publishing and distribution rights in ex-colonies such as Australia as well as the UK.

According to the authority, publishers operate a system of "geographic price discrimination" under which they charge what the market in each country will bear. But whereas UK books exported to Canada are sold at prices lower than in the UK because of the effect of the US market, in Australia consumers pay prices 31 per cent above UK prices and lack access to large segments of the UK and Canadian catalogues.

The public controversy arises in proposing remedies for the problem. At the heart of the debate is the vexed issue of copyright, now more than ever an international trade issue not just confined to authors but extending to the huge film and computer software industries.

According to an earlier inquiry by the Copyright Law Review Committee, the answer is to relax the provision of the Copyright Act which requires Australian booksellers to buy all their books only through the organisation or person holding the Australian copyright.

Even people campaigning for a change are surprised at the radical proposal — and some are not sure the public will benefit

In a proposal which is also before the government, it suggested that booksellers should be allowed to buy from anywhere they choose when those holding Australian copyright cannot make books available within a reasonable time.

The Prices Surveillance Authority says this does not go far enough unless "reasonable time" means simultaneous publication. In its view there must be wholesale removal of the import provisions of the Copyright Act, so that booksellers can buy their books anywhere they like.

Its recommendation has aroused a clamour from publishers (especially the UK ones), and from Australian authors such as Peter Carey and Thomas Keneally. Even people campaigning strongest for a change are surprised at the radical solution proposed – and some are not even sure the public will benefit in the long run.

The recommendation, however, is not comprehensive: the authority says Australian resident authors with Australian publishing contracts should continue to be protected from imports of their works from abroad for another 10 years.

But it also says that Australian authors have not benefited "to any significant degree" from existing provisions, and reckons that if support is required for Australian authors and publishing, it should be provided by direct subsidies rather than through artificial restriction on competition.

In its view, the Copyright Act was designed to protect authors from pirate reproduction of their works, not to limit competition in the distribution of them. But critics point out that copyright belongs fundamentally to an author – some say it is the only thing he has to sell – and is fundamentally territorial.

They say it is false reasoning to blame high book prices or slow publication on the import provisions of Australia's Copyright Act when countries such as Canada have the same provisions.

According to Susan Bridge of the Australian Copyright Council, the authority's recommendation, if accepted, would make Australian copyright of little value compared with copyrights in other country. Australian writers would then be less inclined to write in Australia, and publishers less inclined to publish. The authority's brand of economics, she says, "is that if apples are overpriced, we'll have to chop down all the apple trees".

Mr Carey, winner of the Booker Prize for Oscar and Lucinda, sold the rights for his book in three countries. He says copyright should continue to be divided into territories. "All that's wrong at the moment is that the British publishers are getting away with treating Australia as part of their copyright territory."

UK publishers, in short, should start doing their job better in Australia, or be made to do so – either by US publishers who have hitherto ceded the opportunities of the small but heavy book-buying Australian market, or by Australian publishers who have failed to bid directly for Australian rights.

The Government is expected to decide the issue before the end of the year. No-one is in any doubt that there will be change, because the case seems irresistible; the only question is how much.

On the outcome hangs the future not only of Australian publishing but of a key segment of British publishers' business as well as other sectors of the economy affected by copyright.

US groups warn on mergers

By **Nancy Dunne** in Washington

MOST foreign companies seeking to take over or merge with US companies will be forced to register for US governmental approval or be subject to "a sword of Damocles" situation which could force them into later divestment, according to several legal filings on new rules proposed by the US Treasury.

Companies and associations have submitted comments on the rules, proposed to implement the Exon-Florio Amendment of last year's trade legislation. Most warned that as the measures have been written, they could have an adverse effect on investment in the US and lead to an overload of cases awaiting governmental approval.

The Exon-Florio Amendment provides legislative authority for presidential review of national security interests when foreign takeovers of US companies occur. Reviews are by the Committee on Foreign Investment in the US (CFIUS).

The UK, in a filing submitted by Mr Andrew Heath, first secretary (commercial) at the British Embassy, said the proposed rules "run counter to our shared objective of securing more liberal international rules, through the OECD and the Gatt round, favouring the free flow of investment".

Mr Heath said the proposed measures are much wider than necessary to protect US national security. "The measures proposed could impose an excessive burden on UK investors and could damage their commercial interests."

According to Mr Heath, because national security is so difficult to define, the US could respond to pressure from special interests, to apply the provision to products and services "having only a marginal relationship to national security".

The proposed regulations clear some acquisitions from the need to register in the areas of toys and games, food products, hotels and restaurants and legal services. Mr Heath said "the narrow negative list" of industries not vital to national security is "more worrying than reassuring". If it is not comprehensively broadened, then it ought to be excluded.

The US National Association of Manufacturers recommended that the list be broadened to include, at the least, retail, wholesale and distribution activities, most general industrial and specialised machine categories, much of the chemical industry, and most consumer goods.

Most of the companies filing comments recommended that the Treasury exclude joint ventures from coverage.

Other filings recommend that the Treasury establish a minimum dollar threshold for deals subject to Exon-Florio review; more clearly define what transactions should be subject to review; and establish a statute of limitations after which divestiture of an investment could not be forced.

The Institute of International Bankers asked for an exclusion in the regulations as applied to foreign bank loans.

Canberra, Seoul beef row 'ending'

By **Maggie Ford** in Seoul

AUSTRALIA expects a row with South Korea over beef imports to be settled by the end of the year, according to Mr John Kerin, Australian Minister for Primary Products.

Mr Kerin held talks with several ministers and officials, concentrating on more secure arrangements for the beef imports and ways of restructuring the South Korean cattle industry.

The argument over beef imports, which also involves the US and New Zealand, has been fought in a panel of the General Agreement on Tariffs and Trade.

Seoul has asked for special treatment under the system of balance of payments protection provided for developing countries.

The three exporting countries have demanded the protection be lifted, since South Korea has recorded surpluses for the past three years. Officials from all the countries have recognised Seoul is under considerable political pressure from farmers.

Australia has acquired 62 per cent of South Korea's beef market, amounting to 50,000 tons. The market is protected by quotas and Mr Kerin said he had received no assurances that these would be lifted.

Australia did not wish to destroy the livelihood of South Korean farmers and there were several kinds of legal protection Seoul could employ which would not violate Gatt rules, he added.

Bandar Khomeini talks are nearly settled, says Mitsui

By **Robert Thomson** in Tokyo

MITSUI, the Japanese trading house, said yesterday that the long-running talks over its pull-out from the stricken Bandar Khomeini petrochemical plant in Iran are finally nearing conclusion.

A Mitsui official said meetings between the company and Iran's National Petrochemical Company (NPC) had produced a basic agreement on the pull-out, though both sides "have legal problems to settle in our own countries. Iran now wants to settle the matter as soon as possible."

NPC and the Mitsui group signed a joint venture agreement 17 years ago for construction of the plant, and work by the Iran-Japan Petrochemical Company began in 1973. Building was disrupted by the Iranian Revolution in 1979, and during the Iran-Iraq war, when the site was damaged

Mitsui formally declared in July last year that it would not continue with the project, which it considered was no longer viable, and negotiations began over terms of withdrawal.

S Korea overseas investment booms

By **Maggie Ford** in Seoul

OVERSEAS investments by South Korean companies are booming as industries such as footwear, textiles and toys relocate plants to lower-cost countries abroad.

In the first eight months of this year, South Korean companies invested \$454m (£284m) overseas, up from the \$180m spent in the same period last year, the Bank of Korea reported. The number of projects rose from 149 to 235, a rise of 58 per cent, and the average amount invested rose from \$1.2m to \$1.9m.

South Korean companies have been forced to move their labour-intensive industries, after a rise of 25 per cent in the Korean Won over the past three years. Labour costs, formerly low, have risen by about 60 per cent over the same period.

Much investment is going to South-East Asian countries such as Malaysia, Thailand and Indonesia, with lower wages. The three accounted for investment worth \$148m, and South-East Asia took more than half the total foreign investment.

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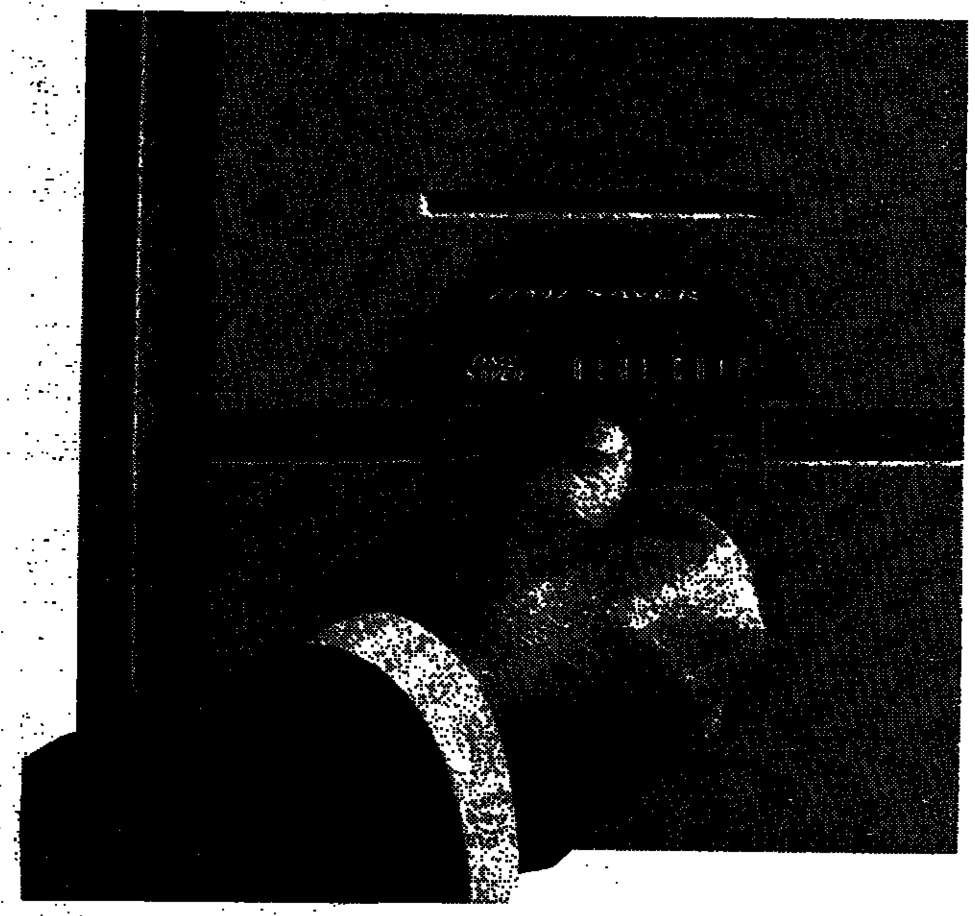

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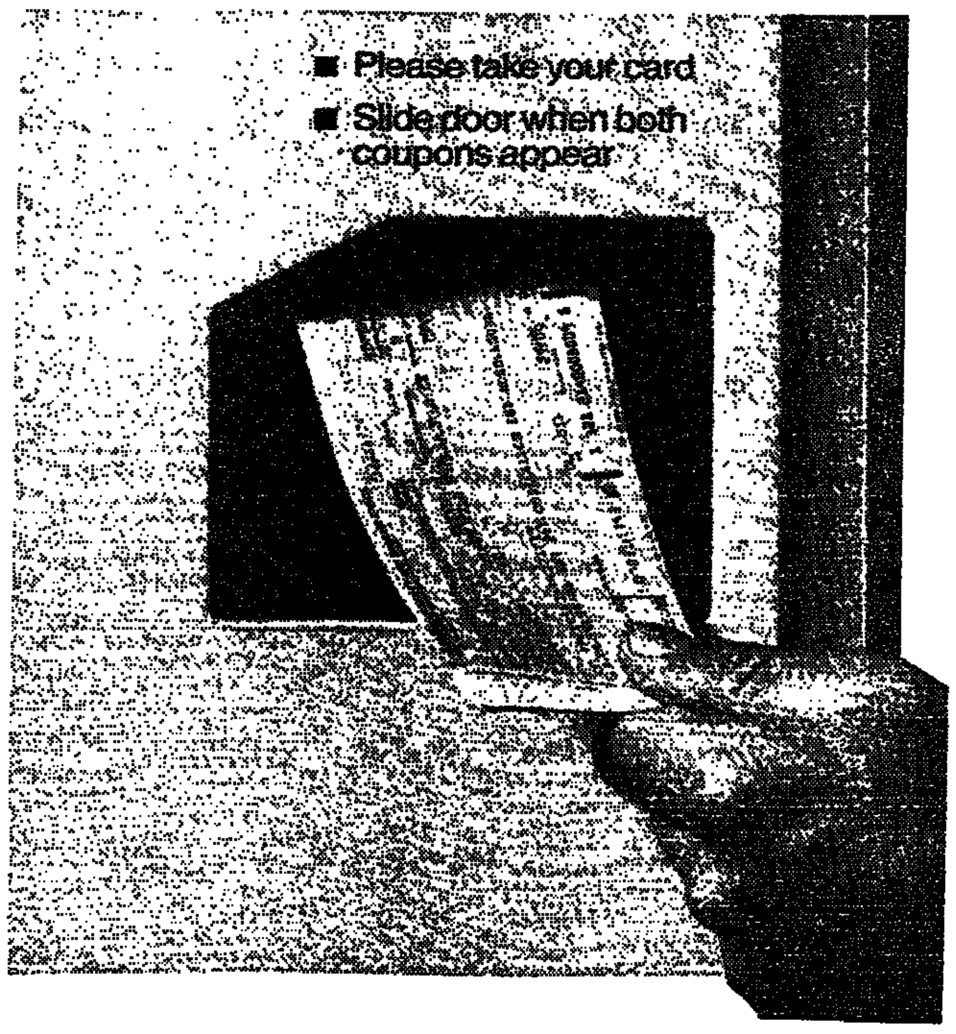

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UK NEWS

IBM announces new methods for software design

By Alan Cane

INTERNATIONAL Business Machines (IBM) yesterday said it had solved the most intractable problem in data processing: how to develop business computer programs quickly and efficiently.

It announced a set of rules for designing, writing and testing computer software, called Applications Development/Cycle, and gave details of more than a dozen software programs (software tools) which support this method.

One of the most important of these programs has been developed by Systematica, a tiny UK software house in Bournemouth on the south coast of England.

The arrangement with IBM, details of which have yet to be made public, is the most important in a series of Systematica deals this year which have enhanced its reputation.

There were warnings, however, that customers would have to go through significant cultural changes to make the most of the new method.

Computer software development has traditionally been a craft rather than a science and its hit-and-miss methods have meant that large software developments are inevitably delivered over time and over budget.

Many software programs are never used because they are delivered too late to be of commercial advantage. Data centres have, on average, a backlog of two years of software development at any one time.

IBM's method is an example of a trend called Computer-aided Systems Engineering (Case), an attempt to put software development on a more scientific footing and to use computers to write applications software.

IBM's market influence gives it significance. There may be 2m programmers developing software for IBM systems who could benefit from Application Development/Cycle. Systematica's software tool is called the Virtual Software Factory and is the equivalent of a toolmaker's lathe in conventional engineering.

The Virtual Software Factory has been endorsed by IBM and Digital Equipment, the world's leading computer companies, and is being used by the European Space Agency.

Suppliers give new assurances on N-safety

By David Green

NUCLEAR safety standards will not suffer because of electricity privatisation, the Central Electricity Generating Board - the state power supplier - insisted yesterday during its final submission to the inquiry into the proposed Hinkley Point C nuclear power station in Somerset.

Lord Silsoe, QC, the board's leading counsel, said there was a strong economic incentive to operate plants safely. Failure to do so would result in closure of the plant and loss of assets.

Lord Silsoe rejected objections that increased commercial pressures on National Power, the larger of the board's successor companies after privatisation, would lead to a dilution of the CEGB's safety guidelines.

He said that the role of the Nuclear Installations Inspectorate, the safety watchdog, would be unchanged by privatisation, and that National Power would inherit the board's safety staff, expertise and commitment to high standards.

The inquiry, into plans for a £1.47bn pressurised water reactor, is expected to end on September 27.

Commission delays ruling on British water

By Tim Dickson in Brussels and John Hunt in London

BRITISH attempts to convince the European Commission to abandon its threatened legal action against the UK for breaching the European Community (EC) drinking water quality directive appeared to be making some headway in Brussels last night.

Mr Carlo Ripa di Meana, the Environment Commissioner, postponed the decision – expected yesterday – on whether to take the UK to the European Court while EC negotiators requested new information on efforts being made to reduce the level of nitrates in 26 areas of the UK.

Mr Ripa de Meana, however – who has the sole power to decide – would face political difficulties were he to abandon action against the UK.

The team of British officials who were negotiating with the Commission over water standards last week was recalled unexpectedly to Brussels yesterday for further intensive talks in an attempt to settle the dispute. It was thought that the talks, which now largely centre on five areas in south eastern England, could last for several days.

In July, Britain was told it had two months to meet the standards of a directive on drinking water quality with which it should have complied by 1985. That deadline expired last night.

It appeared that Mr Chris Patten, the UK Environment Secretary, did not expect further legal moves before the data could be supplied, which would be "in weeks rather than months," according to British officials in Brussels last night.

This was at odds with the clearly stated intention of Mr Ripa di Meana to make a final decision on whether to proceed with the European Court case "in the next few days," possibly today.

Mr Ripa di Meana said he would take this course with extreme reluctance and as a "weapon of last resort." However, several observers pointed out that he was under pressure to take a tough stand against the UK because proceedings on poor water quality were pending against most other member states. The issue will be discussed at a full meeting of the Commission in Brussels today.

Mr Andrew Lees, water campaigner for Friends of the Earth, said that his organisation would be prepared to take the British Government to the European Court if the Commission failed to act.

It was a complaint from FoE in 1986 which prompted the Commission to investigate water standards in the UK and to demand that it comply with the directive.

Tendering 'transformed council efficiency'

By Richard Evans

MANY local authorities are now more efficiently managed than private-sector businesses because of changes brought about by competitive tendering, Mr Graham Mather, general director of the Institute of Economic Affairs, said yesterday.

Speaking to the Labour-dominated Association of Metropolitan Authorities' annual conference in Birmingham, he said: "Competitive tendering has begun to transform local government from a caricature of managerial underperformance to a contract-based system that provides better management incentives, disciplines and controls than those in some private-sector businesses."

Mr Mather said he found the overall picture "breathtaking," even taking into account the facts that only 10 per cent of council services had to be put to competitive tender under new regulations introduced by the government of Mrs Margaret

Local authorities were presiding over a network of mini-businesses, which had incentives to be efficient, keep financial discipline and indulge regularly in market competition, and which were given scope for management buy-outs and opportunities to expand into other councils' areas.

It was equally remarkable that this little-noticed managerial revolution had been carried through by staff who had entered local government on an entirely different job description. They had entered a world of relatively stable administration.

To capitalise on their achievement, local authorities had to be prepared to take the initiative and expose more services to competition ahead of further legislation. "It would be most unfortunate if local authorities as a whole were tarred with the brush of those which will have to be dragged protesting towards the concept of services provided by contract," he said.

The most imaginative authorities were already looking beyond tendering their refuse collection, cleaning and catering services towards the professional heart of their activities. There was no reason why accounting, legal, architectural and planning services needed to be provided by directly employed staff.

He suggested that councils should trade the responsibility for raising their full spending power locally in return for less interference from the centre.

ICL drops plans to end union recognition

By Charles Leadbeater, Labour Editor

ICL, the UK computer manufacturer, has withdrawn its plan to end union recognition for collective bargaining at its West Gorton hardware and software development centre near Manchester, north west England, in the face of warnings of industrial action.

The MSF, the general technical union, the AEU engineering union and the EETPU electricians' union warned they would take industrial action at the site and ballot their members at other ICL plants to fight the plan.

The unions regarded the issue as a test case for their ability to defend established collective bargaining procedures in the engineering and electronics industries.

Only 300 of the 1,400 workers at the site are union members. Union leaders feared that if the company succeeded in ending union representation it could provoke other employers to consider de-recognition of unions that represented fewer than half the workforce.

The company – which is owned by STC the telecommunications and electronics group – has also agreed to withdraw plans for taking the West Gorton site out of the Engineering Employers Federation's national collective bargaining procedures. ICL has agreed that when issues cannot be settled by internal negotiations, they may be referred to the EEF's regional office.

ICL's decision to drop plans for ending collective bargaining at the site seems to confirm several recent surveys, indicating that union de-recognition has been relatively rare, although employers are pursuing more assertive industrial relations policies.

The decision also throws into doubt ICL's plan to introduce a performance-related pay scheme at the plant. This scheme, combined with a rise to cover cost-of-living increases, would have determined the annual pay award.

Non-unionised workers at the plant will be covered by a pay and performance appraisal system, which will deliver rises in addition to a general increase.

This will be set by collective bargaining between the unions and ICL. The company plans, however, to proceed with its plans to pull all its other sites out of the EEF's national agreements, including its main manufacturing plants at Ashton and Kidsgrove.

These plants will leave the EEF at the turn of the year in one of the most significant membership losses the federation has suffered in the 1980s.

● INDUSTRIAL action in the ambulance service, over the Department of Health's 6.5 per cent pay offer, seems almost certain to escalate with officers and control assistants joining the overtime ban imposed by ambulance crews.

● ABOUT 5,000 white collar staff at 20 British regional airports have been offered a 9 per cent pay rise backdated to July 1. The offer follows a 7.5 per cent increase for Civil Aviation Authority employees.

Life groups urged to put 1992 case

By Eric Short

BRUSSELS is in danger of acting under conditions of panic and with little consultation in drawing up its life assurance directive on mass risks for the insurance industry, a former head of the European Commission's insurance division said yesterday.

The British life assurance industry should act quickly in presenting its case on the Commission's forthcoming proposals, said Mr Bill Pool. The Commission was working to a tight timetable.

Mr Poole, speaking at the UK actuarial convention in Harrogate, northern England, was giving an informal view on the likely effect on the UK life assurance industry and actuarial profession of Europe's proposed single market in 1992.

He said the arrival of Sir Leon Brittan, Europe's competition commissioner, as Britain's senior commissioner in Brussels had injected a sense of urgency where previously, progress towards a single insurance market had lagged behind that on banking and investment.

If the legislation on insurance is to be in place by 1992, the draft directive on mass risks, which will determine the way life companies operate in the single market, must be issued in 1990.

However, Mr Pool explained that the Commission's insurance division had only seven people and a newly appointed head – a Dutch insurance executive on secondment.

The Commission had to reconcile the British and Irish system – publicity and a heavy reliance on the professional judgment of the appointed actuary – with the tightly controlled regulatory system elsewhere in Europe.

The Commission did not understand the British system but was eager to learn, Mr Pool said. It was trying hard to be impartial.

Actuaries must reach agreement with the Association of British Insurers, the main trade body of the UK life assurance industry, in presenting their case. Above all, they had to have a clear idea as to what they wanted to see in the future operations of the life assurance industry, or they would not get it.

Continental insurers, Mr Pool said, were concerned about a possible British invasion with life assurance products in 1992.

Switch secures M&S trial for debit cards

By David Barchard

SWITCH, the electronic debit card system set up last year by a consortium of banks headed by National Westminster, Midland, and Royal Bank of Scotland, is poised to break new ground in the plastic card industry by signing up Marks and Spencer, one of Britain's largest store chains, as a retail outlet.

Marks and Spencer said yesterday it was considering trials of Switch cards. Unlike credit cards such as Visa and MasterCard, the cards can be used only in electronic terminals and are cheaper because retailers do not have to return vouchers to the bank to obtain payment.

Mr Scott Thompson, head of merchant services at Midland Bank, one of the UK's four main clearing banks, said 16 of the 20 largest UK retailers are currently negotiating joining the Switch scheme.

Marks and Spencer issues a store card, but has never before accepted payment cards issued by banks and remains outside the MasterCard and Visa networks.

The number of banks and building societies belonging to the scheme is growing, and Halifax, the UK's largest building society, which has its own Visa credit card, is believed to be close to reaching an agreement with Switch.

If it does do so, several other building societies are likely to follow suit. Critics of Switch have said there are too few outlets where the cards can be used by consumers.

Midland raises rates on saving accounts, loans

By David Barchard

MIDLAND BANK, Britain's third biggest commercial bank, yesterday put up the interest rate paid on its main saving account, bringing pressure on other banks and building societies for a general rise in their interest rates.

From yesterday, Midland will pay 10.5 per cent instead of 9.5 per cent on its Premier Savings Account, or 13.42 per cent gross. To qualify, depositors must have at least £5,000 in their account and there is a 30-day notice period for making withdrawals.

Midland has also increased the rates charged on personal loans and for overdrafts.

By offering 10.5 per cent on savings accounts, Midland has no placed itself well ahead of the other large players in the savings market.

On a deposit of £5,000 National Westminster, the biggest commercial bank, pays 9 per cent (gross 11.75 per cent), while Barclays Bank, the second largest, pays 8.4 per cent.

Halifax, the largest building society, pays 9 per cent on the same amount with 90-day notice of withdrawals. Abbey National, which was the second largest building society until its flotation this summer, pays 9.35 per cent.

Bank deposit accounts have become steadily more competitive with those offered by building societies through the year. Although building societies say that they are not under pressure on the savings side of their business, the flow of small savings into their accounts has run well below last year's levels for most of the summer.

The societies have held down their rates to savers throughout the summer so as to be able to offer lower mortgage rates than either the banks or the mortgage companies.

The standard building society mortgage rate stands at 13.5 per cent compared to between 14.5 and 14.95 per cent for other types of lenders. Building societies obtain most of their funds from savings deposits and so are less affected than other institutions by the banks' base rate, which has stood at 14 per cent since May 24.

FT pursues Tokyo plans

THE Financial Times is pushing ahead with plans to print its international edition in Tokyo from the middle of next year. It is understood that a formal announcement could come within weeks, writes Raymond Snoddy.

Mr Frank Barlow, chief executive of the FT, said yesterday that no final decision had been taken on printing in Japan but agreed such a move was part of the overall strategic plan for the newspaper.

A Tokyo printing site would be the paper's fourth overseas. The FT began printing in Frankfurt in January 1979 and has since added contract printing sites at Evergreen, New Jersey and at Roubaix in France.

Black to take on chair of Telegraph

By Raymond Snoddy

MR CONRAD BLACK, the Canadian newspaper publisher, is to take over the executive chairmanship of The Daily Telegraph and spend around seven months of the year in London.

The new role for Mr Black, comes as Mr Andrew Knight, chief executive of the paper announced his decision to stand down from day-to-day control, although he will join Sir Frank Rogers, as a deputy chairman of the company.

Mr Knight, a former editor of The Economist who was brought in to revive the Telegraph when it faced severe financial problems more than three years ago, has exercised Telegraph share options worth around £14m pre-tax.

Mr Black's company, Hollinger, controls 80 per cent of The Daily Telegraph. Mr Black, who until now has been chairman of the paper but has spent most of his time in Canada, said yesterday: "Andrew came to me and said we have completed most of what we wanted to do here and my means have changed. I want to set aside the chief executive's job but stay in the picture."

Mr Knight said yesterday he felt his main job had been done and he had been trying to persuade Mr Black to take a more active involvement.

"Whereas one or two years ago we knew what the decisions were, turning the bloody thing round, that is no longer the situation," Mr Knight said yesterday.

Mr Black has ambitions to expand into continental Europe and he has also recently increased his stake in United Newspapers, owners of the Daily and Sunday Express.

Selling the board with a hole in its bucket

Richard Evans tells a story of why South West Water's luckless image may be unfair

THE FIRST of the autumn rains have started to fall at last on parched Devon and Cornwall, bringing to an end a drought of many weeks that could not have come in a worse year for South West Water.

The organisation, like the other nine former water authorities in England and Wales, has just become a Government-owned public limited company as a precursor to privatisation in November.

The drought, however, which affected South West Water more than any other authority, meant restricted supplies. Hosepipes were banned and customers exhorted to halve consumption, and the emotive sight appeared of standpipes in the streets.

The company's executives met each Tuesday for the past four weeks to decide whether water rationing should be introduced.

The water shortage, which undoubtedly strained relations between the company and its customers, came as an unwelcome reminder that South West Water has become known as the authority with a hole in its bucket.

It also came at a time when the company is still repairing its damaged reputation after last year's incident when 7,000 people served by Lowermoor water treatment works in Cornwall drank water polluted with liquid aluminium sulphate.

A supply driver had filled the wrong tank, causing hundreds of people to fall sick and thousands of pounds to be paid in compensation.

The company is therefore seen as facing the greatest difficulties in attracting investors of all the 10 water authorities to be privatised.

Yet South West Water's problems whenever there is a dry spell could have been solved had its proposals for new reservoirs been accepted more readily by the Environment Department and the Treasury.

A potential shortage of supplies was diagnosed when South West Water first became an authority in 1974's large industry reorganisation.

It was suggested that three new reservoirs should be built to satisfy the needs of a rapidly growing population and an explosion of summer visitors.

Two of the reservoirs, at Colliford in Cornwall and Wimbleball on the edge of Exmoor, were built a decade ago. However, the critical third one in the middle of the region, although first mooted in 1975, is only now being completed.

Its acceptance was only assured after three public inquiries, battles with the Department of the Environment and 1984 drought.

A formal notice that impoundment, or filling, can now begin at Roadford, the third reservoir, was delivered to South West Water earlier this month by Alfred McAlpine Construction, the main contractors, and Babtie Shaw & Morton, the engineers.

Roadford, seven miles north-east of Launceston, forms the centre-piece of a complex jigsaw that will provide secure supplies to several areas in the region.

The reservoir is located on the tiny River Wolf. The overall strategy involves creating supplies that will assume a drought one year in 50 and a hosepipe ban one year in 10 — anything more ambitious would be too expensive.

Roadford, by far the biggest reservoir to be constructed in the region, will ultimately hold more than 8bn gallons.

It will form a lake more than 4 km long and up to ½ km wide, which will allow South West Water to develop leisure activities such as fishing and sailing.

The building of the dam has become a big tourist attraction. A road has been built along the curving top of the 430 metre long dam, together with a new road over a viaduct to replace roads to be flooded by the reservoir.

The total cost of the project is £75m, with half spent on the Roadford site itself and the remainder on the upgraded distribution system.

Solutions to the engineering problems posed by the site are complex and impressive. More than 1m cubic metres of fill were excavated from part of the reservoir site to form the dam itself, which was then coated with a thick asphaltic concrete membrane to make it watertight. Inspection galleries lead right under the base of the 40m high dam to monitor any leakage.

Measures have been taken to protect wildlife. Badger and otter passes have been built under roads. Boxes have been provided for bats displaced from submerged buildings, and special grasses resown.

South West Water won this year's conservation award from the Devon Wildlife Trust.

Parkinson meets relatives of UK Lockerbie victims

By Paul Betts, Aerospace Correspondent

RELATIVES of British victims of the Lockerbie disaster yesterday failed to persuade Mr Cecil Parkinson, the Transport Secretary, to order a new inquiry into security at Heathrow Airport.

Officials said, however, Mr Parkinson's first meeting with the committee representing relatives of British victims of the disaster last December was conducted in "a cordial atmosphere."

Dr Jim Swire, whose 24-year-old daughter was among the 270 victims of the bombing of the Pan Am Boeing 747 jumbo jet which crashed over the Scottish town during a flight from London's Heathrow Airport to New York, said he was "optimistic" after the meeting.

The committee showed the minister a video which they claimed demonstrated that security at Heathrow and at Frankfurt, where the bomb is believed to have been planted, was still lax.

Families of the victims have asked why luggage on the Boeing 747 was not searched or X-rayed when it landed at Heathrow for a 45-minute stopover.

Ulster leaks inquiry to widen after allegation

By Our Belfast Correspondent

THE INQUIRY into alleged leaks of classified security documents to loyalist para-military organisations in Northern Ireland widened in scope yesterday after Mr Seamus Mallon, deputy leader of the Social Democratic Labour Party, produced evidence of a further security breach more than a year ago.

Mr Mallon said one of his constituents had gained access to a document containing photographs and personal information on 18 men from the County Armagh area which had been leaked to the Ulster Volunteer Force, a banned loyalist terror group.

The Royal Ulster Constabulary, the Northern Irish police force, confirmed yesterday that the 18 identified in the document would be advised that their names were on the list.

Mr John Stevens, the Deputy Chief Constable of Cambridgeshire, who is already conducting an inquiry into the disappearance of an RUC document from a Belfast police station and a file from an Ulster Defence Regiment base in County Down, will also investigate the latest claims.

Mr Mallon said he had given a photocopy of the latest document to a senior officer in Armagh yesterday and it was essential that Mr Stevens investigated the matter.

He said: "This is another worrying development and confirms that certain information has been leaked from security forces to loyalist para-military groupings."

Mr Mallon's constituent, who was not named, gave the document to his solicitor, Mr Rory McShane, last year and advised him to make it available to the MP last week after Mr Stevens' inquiry was announced.

Mr McShane said the document had been leaked to the UVF. It then reached the Ulster Defence Association, a legal loyalist para-military group, and it was then passed to his command.

Last week, British and Irish ministers clashed over the leaks issue at a meeting of the Anglo-Irish Intergovernmental Conference.

Yamazaki to consider expansion of UK plant

By Nick Garnett

YAMAZAKI, the Japanese machine tool maker, is to consider early next year expanding its factory at Worcester which it opened in 1987, Mr Teruyuki Yamazaki, the company's president, said in London yesterday.

He said the plant was expected to reach full production in spring, and the company would then decide whether to increase production, expanding the existing factory

Yamazaki, the world's largest producer of machine tools by sales volume, has enough space at Worcester to double its covered production area. The plant, set up at a cost of £35m makes about 65 lathes and machining centres a month and expects to be supplying about 90 a month by March.

The 1987 target was 100 machines a month, but the company says its product mix is more complicated than originally envisaged.

Mr Yamazaki said a small research and development centre would soon be set up at Worcester employing 10 people. The company was considering another R&D centre in Europe, almost certainly in West Germany.

The company is already one of the top half dozen machine tool producers in the UK by sales. It is about half the size of Bridgeport, the largest UK-based producer, which has sales of £60m to £70m.

Mr Yamazaki said one reason for setting up development centres in Europe was to help customise products.

JOBS

What managers' pay buys in different lands

By Michael Dixon

HOW have British managers' material fortunes fared by international standards over 10 years of Mrs Margaret Thatcher's Government?

A rough answer is made available today by the 1989 batch of cross-country pay comparisons made annually by Employment Conditions Abroad. It so happens that the first time the ECA consultancy carried out the exercise coincided with the Conservatives' regaining power in 1979.

The latest position in the United Kingdom and 14 other countries is outlined by the table alongside. It takes four levels of executive, the most senior being the head of a biggish subsidiary of an international group. Next down is the head of one of the subsidiary's functions such as finance, followed by the middle and the junior managers below.

In each case, the table gives two sets of figures. The first is the typical gross pay, consisting of salary plus bonuses which are fixed as distinct from varying with profits or whatever. Then comes what the gross pay represents in buying power.

It is worked out by deducting from the gross the tax and social security payments standard for a native of the country with the relevant income who is married with two dependent children, and receiving the normal family allowances. The resulting net pay is turned into buying power on the basis of international surveys of executives' living costs, although for technical reasons no account is taken of the relative expense of housing, gas and electricity.

In the table, the other countries' currencies are converted into sterling at the rates prevailing when the consultancy finalised its data a few weeks ago. To enable readers to update the figures for subsequent exchange-market moves, here are the rates ECA used:

West Germany	3.07
France	10.3425
Italy	2,200.75
Canada	1.8335
Spain	191.55
Belgium	64.45
Netherlands	3.46
South Africa	4.3535
Australia	2.0233
Ireland	1.1505
Greece	264.65
Norway	11.1775
Denmark	11.94
Finland	6.9038

The countries' ranking in the table is determined by the buying power of the company head. Since ECA's surveys cover far many more places than the 15 listed here, anyone wanting information on others should contact Wendy Greathead of the consultancy at 15 Britten St, London SW3 3TY; telephone 01-351 7151, fax 01-351 9396.

Alas, when it comes to making comparisons with the position in 1979, the necessary data is available on only eight countries besides the UK. Moreover I cannot separate the different ranks. All that is possible is to work out a rough average buying power in each of the years for the managers of all levels in the different lands.

Country	Junior manager Gross pay £	Junior manager Buying power £	Middle manager Gross pay £	Middle manager Buying power £	Head of function Gross pay £	Head of function Buying power £	Head of company Gross pay £	Head of company Buying power £
W. Germany	25,160	16,898	34,919	23,018	47,523	29,970	68,620	40,362
France	18,912	15,177	26,636	20,684	37,345	27,477	53,539	37,676
Italy	19,538	13,613	27,917	18,582	40,372	25,399	57,610	34,686
Canada	22,061	15,278	29,689	19,230	40,610	24,600	56,196	32,254
Spain	16,810	12,688	24,066	17,472	33,046	22,842	47,672	30,171
Belgium	20,915	15,471	28,471	18,907	40,093	23,730	56,276	29,878
Netherlands	19,421	14,885	26,182	18,476	37,104	23,389	51,182	28,424
UK	15,090	12,063	20,470	15,972	28,091	21,235	39,243	27,926
South Africa	9,991	11,400	14,140	15,006	19,926	19,850	27,329	25,926
Australia	18,296	13,675	24,058	16,799	31,712	20,091	42,299	25,254
Ireland	16,307	11,634	21,642	14,290	29,410	17,664	38,441	21,586
Greece	9,536	8,653	13,851	11,590	19,543	15,411	27,527	20,508
Norway	17,657	10,629	23,652	12,939	32,018	15,627	43,969	19,464
Denmark	20,654	10,330	28,078	12,260	37,715	14,637	52,805	18,360
Finland	18,751	9,382	25,737	11,530	35,327	14,076	48,490	17,266

The eight are Australia, Belgium, Canada, France, the Netherlands, South Africa, Spain and West Germany. Ten years ago the British averaged only £7,985.80 in purchasing power, and so were much worse off than their counterparts everywhere else.

Even now the UK average of £19,299 ranks only seventh, behind all except Australia and South Africa. But in terms of buying ability, the British have narrowed the gap between themselves and those above them. Here are the relative positions for the two years, in each case worked out as an index taking the UK average at the time as 100:

	1979	1989
UK	£7,985.8=100	£19,299=100
France	198	131
W Germany	192	143
Canada	186	118
Spain	184	108
Belgium	179	114
Netherlands	150	110
S Africa	145	94
Australia	134	99

Far East

HEADHUNTER Theo Steger seeks a chief for the Far East region of an American-based $100m-turnover consultancy and conference group he may not name. So he promises to respect applicants' requests not to be identified to his client at this stage.

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Please contact Brenda Shepherd.

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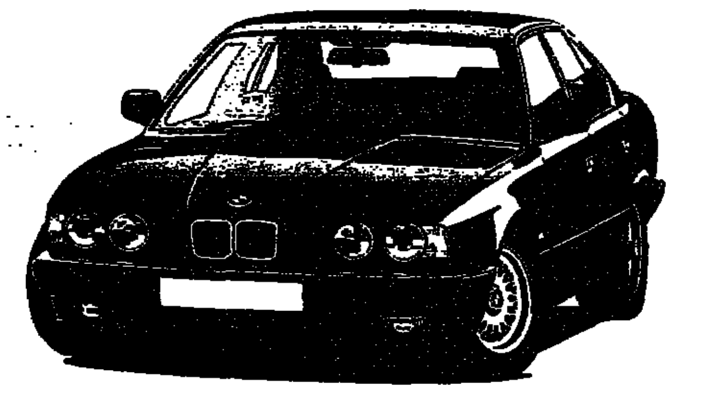

DEALER DEVELOPMENT MANAGER

The success of BMW in achieving a leading position in the quality car market is a reflection of the excellence of our national franchised dealer network.

We now seek a Dealer Development Manager to lead a far reaching programme to enhance and further develop the network to meet the challenges of the 1990's.

Reporting to the Sales Director, this key role has responsibility for planning the optimum structure for the network, selecting new franchisees and monitoring and improving performance standards. Major tasks include advising on and negotiating financing for dealerships and working with dealers to solve their financial, management and systems problems.

Essential for success will be an all round knowledge of business finance including a thorough understanding of sources of funding. Also required are proven negotiating, judgemental and interpersonal skills. Experience of the motor trade is not essential, although familiarity with a franchise environment would be a distinct asset.

The remuneration package will fully reflect the importance of the position. An excellent salary enhanced by a bonus and comprehensive benefits package including two BMW cars is offered to attract candidates of outstanding calibre for this position.

If you have the vision, creativity and dynamism to drive the BMW dealer network into the 1990's please write with full CV and quoting ref SH3486 to our retained consultants, NB Selection Limited, Orion House, Grays Place, Slough SL2 5AF (Tel: 0753 694844).

BMW

A position offering unusually wide scope

CREDIT AND RESEARCH

Major International Bank

Our client is one of the world's top 50 banks by asset size and capitalization. In the UK it has business relationships with many top multinational companies, but has sought to broaden its' market penetration by working with a number of middle market companies utilizing a diverse range of financial engineering and off balance sheet products.

This increasing diversity of activity has created the need for someone trained in Credit Analysis, who can consider the broader economic issues affecting particular industrial sectors and potential transactions, for example, the effect of high interest rates, the position of a company vis-a-vis competitors etc. Consequently the ability to co-ordinate broader research data into a format relevant for the assessment of potential banking transactions is of prime importance.

The ideal candidate, therefore combines proven credit skills with an aptitude for origination and analysis of research data. This may mean an unusual "hybrid" career with time spent both in banking and stockbroking. He/she will probably be aged in mid-late 20's and educated to degree level. Analytical ability needs to be combined with first class communication skills.

If you believe you can meet this unusual challenge, then contact: Kevin Byrne on 01-248 3653 (or 076 382728 evenings/weekends) or write, sending a detailed CV to the below (or use our confidential faxline on 01-248 2814). All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ — BBM ASSOCIATES — Tel: 01-248 3653

CONSULTANTS IN RECRUITMENT

Guardian Royal Exchange

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£18/20 K + Benefits

Royal Exchange Trust Co. Ltd., the City based trust subsidiary of GRE, is looking for an experienced person to assist in the continued expansion of its corporate trust services.

Applications are invited from persons familiar with the various terms and conditions relating to domestic and international bond issues and experienced in the interpretation of Trust Deeds and analysis of financial information in relation to corporate trusteeships.

This is a new post and the successful candidate will be expected to contribute to the further development of the corporate trust business.

In addition to an attractive starting salary there is a package of excellent benefits including non-contributory pension scheme, subsidised mortgage arrangement, interest free season ticket loan and free luncheon facilities.

Candidates should in the first instance telephone Derek Barnes on 01-283 7101 or write to:
The Personnel Department, Guardian Royal Exchange plc.,
68 King William Street, London EC4N 7BU.
All applications will be treated in the strictest confidence.

Guardian Royal Exchange is an equal opportunities employer.

BUSINESS DEVELOPMENT PROFESSIONAL

DRI/McGraw-Hill is a leading provider of economic and financial information services to the financial, government, and business community. Our London office seeks a motivated business development professional to sell our information services through careful analysis of customer needs.

We require a graduate or MBA with 2–3 years experience ideally gained in marketing, planning research or economic analysis. Interpersonal, writing and selling skills are essential and a knowledge of personal computer and online databases would be a distinct advantage. An attractive salary and bonus scheme will be offered to the right candidate. Career prospects are excellent.

Please send detailed CV and salary history to:

Amanda Jenkins,
DRI/McGraw-Hill,
30 Old Queen Street,
London SW1H 9HP.
No phone calls please.

McGraw-Hill

CHIEF DEALERS FUTURES AND OPTIONS

GERMANY

Two outstanding opportunities exist at Chief Dealer level, within a prime European Bank as it prepares for the opening of the German Futures Exchange. Responsibilities will be to head Futures and Options sections, handling Bonds and Equities, in a hands-on management role.

This is envisaged as a 3 year assignment in Germany with an excellent opportunity for career development thereafter, in London, Germany or in one of the Bank's international locations. Candidates should possess reasonable ability in speaking the German language together with a successful track record in the relevant markets.

The generous remuneration package includes assistance with housing, full re-location expenses and a salary reflecting the importance of these assignments. For full details interested dealers are invited to call Gordon Brown or Steve Cartwright for a confidential, informal discussion.

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Jonathan Wren Executive

UK CORPORATE MARKETING
£30-50,000

Looking for a new challenge in corporate marketing?

Several of our international banking clients are seeking experienced credit professionals to join their corporate lending teams. Ideally you will be a graduate/ACIB with several years negotiating experience with middle market corporates, or otherwise experienced in commercial property. MBOs, LBOs and capital markets products. With two of these positions, fluency in a European language will be an added advantage.

Please contact Norma Given or Richard Meredith on 01-623 1266.

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Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 01-623 1266 Fax: 01-626 5258

LJ

TREASURY MARKETING

Leopold Joseph & Sons Limited, the City Merchant Bank, is looking for a self-motivated outgoing corporate dealer with both good presentational/marketing skills and a working knowledge of the Foreign Exchange & Sterling Markets.

The successful candidate will join a growing Treasury team and will co-ordinate and foster existing dealing relationships with customers as well as assisting in the marketing drive towards the small to medium sized corporate. In addition the candidate will be expected to price accurately and cover across a range of currencies. Where appropriate on the job or specific external training will be available.

Candidates will ideally be aged between 25-30.

Interested applicants should write, with a comprehensive C.V. to

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LEOPOLD JOSEPH & SONS LIMITED
31/45 GRESHAM STREET
LONDON EC2V 7EA

INVESTOR RELATIONS

Grandfield Rork Collins, a leading City public relations and advertising consultancy, is looking for someone to lead the expansion of current investor relations programmes. We intend to extend these services to cover all the world's major financial centres.

An ideal candidate is looking for a change of emphasis and greater personal involvement having developed a successful career in investment management, corporate finance, equity sales or analysis or a related business.

A negotiable salary and a performance related package will offer attractive opportunities for increasing remuneration as the role develops.

This is a new appointment with very considerable senior management responsibilities.

Please write in confidence enclosing a full CV to: Anthony Cardew, Chairman, Grandfield Rork Collins, Prestige House, 14-18 Holborn, London EC1N 2LE.

GRANDFIELD RORK COLLINS

Marketeer (Swaps)
France and Germany

Leading Derivatives Group — **Basic to £55,000 + Bonus**

Our client, the London branch of a leading US bank, is seeking to expand its derivative products group with the appointment of 2 experienced marketeers. Based in London, the successful candidates will spearhead the marketing of swaps, caps, floors and swaptions into France and Germany, with the prospect of international career opportunities. This is an exceptional opening for the right individuals to join an aggressive and professional team.

Ideally French or German nationals, candidates will have a proven track record in sales or marketing. They may come from a variety of backgrounds – capital markets, fixed income trading, industry or banking.

Applicants without derivative products experience should have the numerical ability necessary to gain an in-depth product knowledge.

Candidates, probably in their late twenties, will be graduates, fluent in French or German, who can demonstrate marketing ability, and who will respond to the intensive training provided in the derivatives area. In addition to basic salary, the remuneration package includes a good bonus scheme, mortgage subsidy and full banking benefits.

Interested applicants should contact **Arabella Goodford on 01-831 2000 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

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Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

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Tel: 01-588 3588 or 01-588 3576
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Key appointment for individual capable of making a major contribution to profits

CJRA

EUROPEAN INSTITUTIONAL EQUITIES SALES TRADER

CITY — **PACKAGE £40,000–£80,000**

PROFITABLE U.K. SUBSIDIARY OF MAJOR U.S. BROKERAGE HOUSE

As part of our client's planned growth of expanding its successful sales team, we invite applications from candidates who should have at least 2 years' experience of selling European equities to institutions in either the U.K., continental Europe or the U.S. An alternative background could be in equities research closely linked to a sales activity. A second European language whilst useful is certainly not essential. The main focus for the selected candidate will be to sell European equities (including U.K.) to institutional clients in U.K. and Europe, as well as, other cross border business. Initial remuneration (by way of high basic salary and results related commission) negotiable in the range £40,000 – £80,000 + benefits.

For this assignment we are particularly keen to hear from candidates in strict confidence by telephone on 01-628 0969 or alternatively written applications quoting reference EIE/22661/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

Opportunity to head up and develop the Scottish desk as part of an established and highly successful UK team.

CJRA

GERMAN EQUITIES SALES TO SCOTTISH INSTITUTIONS

CITY — **£35,000–£65,000 + BONUS + BENEFITS**

MAJOR GERMAN INSTITUTION

As part of our client's planned growth objective of building a global equities team, we invite applications from candidates, in their 30's, who must have had at least 3 years' experience of selling equities (ideally including German equities) to UK institutions. Fluency in German is desirable. The product is research driven and the objectives for the successful applicant will be to sell effectively German equities to Scottish institutions and thereby building and developing Scottish business. This will be achieved through regular telephone contact and by hosting presentations. Essential qualities are to be self-motivated, to be able to work independently, to make best use of time and above all to be results orientated. Initial base salary is negotiable £35,000-£65,000, plus significant performance related bonus, car and banking benefits.

For this appointment we are particularly keen to hear from candidates in strict confidence by telephone on 01-628 0969 or alternatively written applications under reference GES22660/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.
ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT – PLEASE TELEPHONE 01-628 7539

Marketing Executive
Commercial Lending

The commercial banking subsidiary of a powerful American corporation whose assets exceed $5 billion has recently reported substantially increased year end results for 1988. A significant proportion of business is concentrated within the Commercial Lending Unit and the bank is now in the process of recruiting an additional Marketing Executive to join this successful and ambitious team.

You will market the bank's range of lending facilities, the majority of which are backed by property, to potential and existing customers. You will also be responsible for identifying and developing relationships with relevant financial intermediaries. Your role will include all aspects of the transaction from initial client contact to deal completion, encompassing credit analysis and documentation. The majority of deals range from £500,000 to £2 million.

Preferably aged 25–35, you are a graduate with a minimum of five years' experience within the commercial banking sector. You have a proven track record in marketing and have the imagination and flexibility to structure proposals to suit the individual needs of customers. You have excellent communication skills both verbally and in writing.

This is a key position and the salary is highly competitive, reflecting both your experience and potential. The package includes a company car and bonus scheme. As the group is intending to build on its success to date, prospects are excellent.

In complete confidence, please ring or write to **Kate Syms, Simpson Crowden Consultants Limited, 97/99 Park Street, London W1Y 3HA. Telephone: 01-629 5909.**

Simpson Crowden
CONSULTANTS

Receivables Manager
Insurance Services
a bridge builder not a bad debt collector

London — **up to £30,000 + Car**

Part of a large insurance services group, our client has built up an enviable reputation both in the UK and world wide. In order to establish effective but nevertheless diplomatic control over outstanding fee income levels, the time is now appropriate to appoint a receivables manager – in other parlance, a credit controller.

Ideal candidates, probably aged 35/40, will have a successful track record in cash collection and control, preferably but not essentially, gained in the insurance market place. Technical skills and computer literacy are taken as read; greater emphasis will be placed on identifying the personal qualities of tact and diplomacy necessary to establish harmonious relationships with both clients and colleagues.

The generous salary and benefits package reflects the importance placed on this appointment.

Please send full career details quoting reference A2240 to **Malcolm Lawson at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF** or alternatively telephone 01-287 7007 during the working day or 0444-73216 in the evenings.

CJH Codd·Johnson·Harris

DICAM (UK)
European Marketing Manager
Global Institutional Investment

Daiwa International Capital Management (UK) Limited, DICAM (UK), has managed international securities from London since 1983 and is part of DICAM, one of the leading investment houses in Japan. DICAM (UK) already manages in excess of £1.2 billion of global equity, bond and balanced account portfolios for international institutional clients including governments, pension funds and general insurance companies, with assets growing rapidly. The global investment team is one of the largest and most experienced in London.

Following recent client appointments in the UK and Continental Europe DICAM (UK) is strengthening the marketing and business development activities of its Pension Fund Investment Division. As a result it now seeks an outstanding individual with an investment background to further raise its profile.

Based in the City, and reporting to the Client Services Director, the appointee will, within a broadly defined marketing strategy:

* increase awareness of DICAM (UK)'s investment capabilities amongst the numerous and established network of institutional contacts in the UK and Continental Europe, as well as developing new relationships with other major investors.
* create and develop seminar presentations.
* design and write a range of specialist publications.
* sustain and innovate promotional and presentational material.

The successful candidate, probably aged mid 20's to early 30's and of graduate calibre, may be an investment analyst or fund manager within a stockbroker, merchant bank, pension fund or consultancy. Alternatively you may be performing a relevant investment marketing role in the UK or Europe. Some (20%) overseas travel is envisaged, therefore language skills would be an advantage, but not a prerequisite.

The remuneration package is excellent including a full range of fringe benefits.

For a strictly confidential discussion please telephone or write to our consultants, FLA, Fiona Law or Robin Douglas quoting reference 1222.

Member of IMRO

FLA
Financial Search and Selection

PARIS

Senior Equity Analyst
Assistant to Director of Research

Bertrand Michel SA is a rapidly growing Société de Bourse, a member of the Crédit Agricole group. Our equity research department aims at the international institutional investor, with publications in English and French. The group currently needs two people:

Senior Equity Analyst: We are looking an analyst experienced (at least five years) in the French equities market. Fluent French is necessary. Our ideal is an analyst with good logic, strong opinions, and the ability to write quickly and clearly (in French or English).

An assistant for the Director of Research: The job requires the ability to write easily and fluently in English, strong organisational abilities, and some knowledge of French financial markets. Fluent French, or close to it, is highly advisable. Most important is an independent spirit and the ability to get things done. Previous analytic experience is recommended but not required.

Salaries will be competitive. Interested candidates should contact Edward Hadas, Bertrand Michel SA, 7 rue de la Bourse, 75002 PARIS. Telephone 42-61-52-60; FAX 40-15-03-92.

NEWNHAM COLLEGE CAMBRIDGE

BURSAR

to be responsible for the financial affairs of the College.

Applications are invited from men and women for the post of Bursar to take office on 1 February 1990 or as soon after as possible.

Substantial experience of positive financial management essential.

Further particulars from the Principal, Newnham College, Cambridge, CB3 9DF to whom applications, including CV and details of three professional referees, should be sent by 14 October 1989.

هكذا من الأصل

CREDIT ANALYSTS

CITY **£ MARKET**

We are a highly respected Japanese Trust Bank with a progressive approach and a strong presence both in the City and worldwide. Continued expansion of our business has now generated exciting opportunities for two young Credit Analysts to deal with the full spectrum of analysis work.

As part of a higly motivated and interactive team, you will be able to offer skills and experience in one or more of the following areas of analysis:

* medium/large UK corporates
* property financing projects
* MBO/LBO structuring
* mergers and acquisitions finance.

Our approach to staff is flexible, giving individuals the opportunity of developing their skills in these areas as well as offering future prospects of progression into a more marketing orientated rôle.

You will be joining us at a time when we are poised to take advantage of all of the opportunities offered by the single European market. Your career development in the above areas will be second to none.

A competitive salary and full banking benefits package are offered.

Please send a full c.v. in confidence and without delay to:

Dominic Grealy, Personnel Manager,
The Sumitomo Trust and Banking Co., Ltd.,
62/63 Threadneedle Street, London EC2R 8BR

Sumitomo Trust & Banking Co.,Ltd.

Kleinwort Benson Corporate Finance

Smaller Companies Team — Managers/Executives

This is an outstanding opportunity to join the expanding smaller companies team of Kleinwort Benson. They seek two recently qualified ACAs or solicitors and an experienced corporate financier to come in at executive and manager level respectively.

The department offers:–

* A high degree of client contact and responsibility to develop this client base
* A broad range of advisory work with growing public companies
* Excellent career prospects both within the division and throughout the group
* An open, flexible, but highly ambitious and stimulating environment
* The opportunity to work in a specialist team with the advantages of working for a major merchant bank.

In return, candidates should be recently qualified or have a minimum of three years' corporate finance experience gained within a UK merchant bank or broker. On a personal level, they must possess the necessary initiative, ambition and drive to enable them to contribute both to their own success and that of the department. The financial rewards of this success include a highly competitive basic salary and a generous performance-related bonus and full banking benefits.

To discuss this opportunity in greater detail please call **Penny Bramah or Paul Wilson on 01-831 2000** or write to them enclosing a full curriculum vitae at **Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

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Derivatives Specialist

Research Analyst — To £40,000

Our client, one of London's most prestigious banking groups, is currently looking for an additional researcher to supplement its derivative products associates pool.

The successful candidate will be expected to:–

* Develop and produce market commentary for sales force and clients, as well as instigate specialist research on demand.
* Translate research ideas into marketable products, and where appropriate to articulate the concept of any new product to clients on a 'pilot' basis.
* Develop portfolio insurance and asset allocation strategies.

They require a first-class graduate, and ideally, post-graduate qualification with a strong bias towards quantitative research and analysis.

Interested parties should contact **Nick Bennett on 01-831 2000** or write to him at

**Michael Page City,
39-41 Parker Street,
London WC2B 5LH.**

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Forward Dealer

Paris — Excellent Package

As a result of expanding treasury activities, a leading International Bank operating in Paris is looking for a qualified dealer to run its large forward book.

Aged 25-30, you will be a graduate with sound first-hand knowledge of foreign exchange trading. This should include short and long term forwards experience gained in an active dealing room.

The position offers a highly attractive salary package and excellent career prospects.

A working knowledge of French would be a distinct advantage.

To apply, contact **Bertrand Stark on (010 331) 42.89.30.03.** Alternatively, send your CV with telephone number and current salary details, quoting Ref. No. BS531 to

**Michael Page International,
10 rue Jean Goujon,
75008 PARIS.**

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UK Asset Management Group

Compliance Executive — £32,000 Package

Our client is a highly successful international asset management organisation, based in the City. An excellent opportunity currently exists for a high calibre individual to join the Compliance section. The successful candidate will fulfil a critical role at the heart of the operation.

Responsibilities of the section include:–

* Compliance monitoring and surveillance
* Staff education and training
* Computer systems development
* Writing and updating Compliance Manuals
* Preparation of returns to IMRO/LAUTRO
* Investigations work.

Ideally, candidates will be:–

* Graduates with Compliance experience and/or an accountancy qualification
* First-class communicators with good presentation skills
* Able to liaise effectively with Senior Management
* Keen to enhance their career in a high profile role, working in a professional environment.

Prospects for career progression within the organisation are excellent.

The importance and status of this varied position is reflected in the highly attractive remuneration package offered, including mortgage interest subsidy and profit share scheme. In addition, there will be a company car.

Contact Karin Clarke on 01-831 2000 at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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RECRUITMENT CONSULTANCY

We are a specialist International Recruitment Company serving the banking and financial community in London and other European financial centres.

Our reputation has been earned through the application of professional standards, integrity and confidentiality with clients and candidates.

We require additional Consultants to contribute to our further growth in the City. Ideally, you will already have a record of achievement in financial recruitment gained with a quality consultancy. Alternatively, you will be able to demonstrate successful progress in a marketing orientated role in banking or a related activity in the City.

To succeed you must exhibit commercial flair coupled with excellent communication skills and self-confidence. You will have close involvement with other Consultants in a business discipline which will demand your commitment in achieving the standards required through your flexibility and initiative.

In addition to an attractive remuneration package, the position offers tremendous personal satisfaction in establishing and maintaining long-term relationships with clients and candidates.

To take advantage of these progressive opportunities please telephone or write in confidence to Leslie M Squires.

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Credit with a Difference

A Rare Opportunity in Merchant Banking

This expanding UK merchant bank has established its name in a varied but well-focused range of activities, encompassing asset-based and cashflow lending; structured and project-related financing; corporate finance advisory; and Treasury products for risk management. It has a highly competent Syndications team and a growing Private Banking business.

The Credit Department plays an instrumental role in new business development as well as risk assessment and management, across all business areas. The philosophy of the department head is one of constructive support and objective balance to complement the strong and highly motivated marketing effort.

The department seeks an individual aged 25-30, with a number of years' experience in banking or corporate finance. Credit training and familiarity with credit-intensive, high value added decision-making are important for this high profile and responsible role. Good numeracy and effective communication skills are essential and PC literacy is desirable. An enquiring and agile mind together with confidence in handling a variety of personalities and situations are prerequisites for this flexible and evolving environment. The right candidate will be rewarded with an attractive banking package.

Interested applicants should contact the retained consultant **Mark Hartshorne on 01-831 2000** or write to him with a full curriculum vitae at

**Michael Page City
39-41 Parker Street,
London WC2B 5LH.**

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Michael Page City
International Recruitment Consultants

AAA-rated — City

The London Branch of BAYERISCHE LANDESBANK is recruiting an

Interest Rate Swap Specialist

The right candidate will be a self-starter with the ability to develop activities from a comparatively modest base. The emphasis will be on quality of earnings.

Experience of derivatives would be an added advantage.

We are offering good long-term prospects and a competitive, negotiable remuneration package.

Please reply with CV giving full details of career to The Personnel Manager, Bayerische Landesbank Girozentrale, Bavaria House, 13/14 Appold Street, London EC2A 2AA.

Bayerische Landesbank
Girozentrale

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TECHNOLOGY

Why computers need to learn English

Clive Cookson explains the progress being made towards systems that understand natural language

"HE SAW the man with the telescope." "He saw the man with the bicycle."

English and all other natural languages contain a myriad of ambiguities which can only be resolved by giving each word or phrase its most likely meaning in the particular context, based on a lifetime's human experience. No computer has the background knowledge to resolve enough of these linguistic ambiguities to communicate in anything other than a structured artificial language with a limited vocabulary.

Yet the advantages of natural language communications, particularly flexibility and ease of use, are so great that this has long been an important area of research within the field of artificial intelligence.

The first generation of natural language products is now on the market, aimed at specific applications, often in the financial world. They have a restricted vocabulary and deal with written text rather than speech – avoiding the need to carry acoustical as well as linguistic analysis.

At the same time, researchers are making progress towards a general purpose system for analysing colloquial English. The latest achievement is a Core Language Engine, known unofficially as Nattie, developed at SRI International's Cambridge Research Centre with funding from the UK Government and seven industrial sponsors (through the Alvey programme). It is designed to be the kernel of a variety of text processing applications, from database queries to on-line translation.

All natural language products have an in-built dictionary and a parser which analyses the grammatical structure of the incoming text, sentence by sentence. For example, in the sentence "Ann loves Michael", the parser will classify "Ann" as the subject and "Michael" as the object – the recipient of Ann's love.

In longer passages, formal parsing often produces a structure of byzantine complexity, including logical ambiguities about who is doing what to whom and about which pronoun refers back to which noun. The language processor can only make sense of this by extensive further linguistic analysis, using elaborate rules about what each word can mean in a particular context.

SRI's Nattie is designed to analyse all the sentence structures found in colloquial English. After parsing, it goes through four further linguistic processes to produce an unambiguous logical form – which may or may not have the meaning intended by the person who wrote the sentence.

SRI has built two small model systems to demonstrate Nattie, one simulating the order-processing section of a computer company and the other a database about Cambridge colleges. Within five seconds it can analyse and answer a simple typed question such as "When did the order from IBM leave the shipping office?"

But Nattie is not yet robust enough to be applied in the real world. For example, it failed to understand the first question I asked: "How many colleges only take women students?"

The first commercial natural language systems do not attempt to carry out Nattie's comprehensive grammatical analysis. Some work as "front-ends" to databases. They enable users to type in questions in simple English, but their grammatical coverage is modest and they presuppose some knowledge of the database. Others are used for text and document processing.

Cognitive Systems of New Haven, Connecticut, offers several products for banks to scan text and convert it to a standard format. Atrans, for example, scans interbank telexes for funds transfers.

Although most banks use a message format specified by the Society of Worldwide Interbank Financial Telecommunications (Swift), many smaller banks still send unformatted telexes. An estimated total of 50,000 unformatted messages come into the New York banks every day, and information as simple as the date or amount of money can be written in dozens of ways.

Atrans uses natural language processing to extract the key information from these unformatted messages and display it in the standard Swift format. The system, used by five banks including Société Générale de Banque in Brussels and Citibank in New York, has an extensive banking database to verify names and account numbers.

Ruth Nelson, business development director of Cognitive Systems, says that Atrans takes an average of 20 seconds to complete a Swift transfer form, compared with six minutes for a human operator. Experience shows that the system fills in all the spaces correctly in half the forms. The other half have at least one error or uncertainty – which the computer often highlights. This has to be supplied or corrected by the operators who check the forms, but even so the system is claimed to be faster than humans working on their own.

A related field in which commercial products are beginning to appear is the use of natural language processors to analyse electronic news services. News providers such as Reuters, research organisations such as Arthur D. Little and innovative US software companies such as MAD Intelligent Systems and Thinking Machines Corporation are working on systems to scan news stories and find out what each is about, so that it can be directed to readers interested in that topic.

The technology will make it possible within a few years for anyone to set up a customised on-line service, based on a computer which scans such news sources as wire services and newspapers to pick out material on subjects specified by the individual subscriber.

Reuters, working with the Carnegie Group of Pittsburgh, Pennsylvania, has developed a Topic Identification System which classifies news items into 700 topic codes and 17,000 company codes, with more than 95 per cent accuracy. Each item is processed within five seconds.

Reuters is already using the system internally to help index its historical database. Steven Weinstein, the project manager, says topic and company codes will soon be added to the company's live news services.

The new text sorting systems will be more effective than current methods of computerised document searching, which look for "key words". These inevitably miss some relevant stories and often turn up one or two irrelevant ones, says Weinstein. He cites a Reuters story about an iron and steel company raising its prices, which is full of phrases such as "hot rolled" and "cold finished bar" but does not contain the word "iron" or "steel". This was categorised correctly by the new natural language system but missed by a key word search.

Once natural language analysis has been used to sort out particular news stories, there are further possibilities for computer analysis. For example, Information Systems Associates (ISA), a London consultancy, is working with a UK financial institution on a system to extract companies' annual results as they are announced on the wire services, and then compare the figures with a range of published analysts' estimates.

The computer will predict the movement in each company's share price over the three days following the announcement, and the sponsoring institution will try to use the prediction to make money on the traded options market. According to Rob Macdonald, an ISA consultant, trials suggest that someone using such a system could make a profit of 15 per cent a month.

Another application of natural language processing in the financial sector will be to enable members of the public to ask questions about, say, their bank's services or their own financial affairs at an unmanned terminal.

Cognitive Systems is developing such a product, called Bank Plus, which is an extension of the familiar automatic teller machine (ATM). It has colour graphics with a touch screen, a menu of options and a keyboard on which customers can type in questions in their own words. Ruth Nelson expects Bank Plus to be installed in the UK from late next year.

TSB is working with Cognitive Systems on a range of projects. "Natural language processing will be a key technology in increasing the acceptability of computers in everyday situations," says David Barrow, the UK bank's innovation manager.

One project concerns Swan National, TSB's car rental company. Barrow says this would enable a secretary to make a reservation for her boss by typing in the travel details, in her own words, on a desk-top computer.

Looking further ahead, natural language processors will be linked to voice recognition, expert systems and other forms of artificial intelligence. But it is easy to be over-enthusiastic in predicting the rate of progress. The computer that can sustain a natural free-flowing conversation on a subject of your choice is unlikely to exist for several decades.

Alarm system to warn of nuclear fallout hitting the UK

In a Government-owned flat near London's Victoria station is an alarm bell which everyone hopes will never ring. Its shriek could signify a national disaster caused by a Chernobyl-like nuclear accident.

The alarm is set to be triggered automatically by a new nationwide monitoring system, if excessive amounts of radioactivity blow across the UK from abroad.

The computerised system, called the Radioactive Incident Monitoring Network (Rimnet), is part of the UK's National Response Plan. Although the UK has systems for detecting radioactive leaks from its own nuclear plants, there was previously no nationwide early warning system to check for nuclear fallout from abroad. The first phase of Rimnet is working and completion is scheduled for the early 1990s.

After the Chernobyl disaster in the Soviet Union, fallout was carried by prevailing winds across Europe and reached the UK on the wet weekend of May 3 1986. Nuclear material, mainly caesium, fell with the rain, contaminating vegetation and grazing animals. It was some time before the pollution was noticed and there were fears that radioactive crops and meat could have entered the food chain.

Rimnet is designed to alert the authorities in time to prevent the consumption of contaminated food, water and milk. The network uses computers, databases and data networks, and special instruments to measure radioactivity in both air and rainfall. Forty six instruments measuring gamma rays have been installed at meteorological stations and about 40 more will be set up.

"The energy of a gamma ray is a unique fingerprint of its parent atomic nucleus," says John Eggington, a nuclear physicist at London's Queen Mary and Westfield College.

"Rimnet stations will be sensitive to extremely small deviations from the normal background level of gamma radiation. If there is an accident, the pattern of radiation detected by the instruments will suggest a likely source. All this can be done very quickly, but more sophisticated measurements which are not easily automated will be needed to determine the extent of the contamination and its possible effects," he says.

The gamma ray readings, called dose rates, are taken every hour, coded and then sent via the Meteorological Office's private data network to its computer in Bracknell. That computer collects all the information and sends it via a direct data link to the Department of Environment (DoE) in London.

There the data is stored in an Oracle relational database running on a DEC Microvax computer. A similar back-up computer has been set up in Lancaster. The software detects any abnormal readings and automatically sounds the alarm – either in the office or in the duty manager's flat.

Once DoE officers have checked the source of the alarm they call a meeting with other government departments, such as the agriculture ministry, and official bodies, such as the National Radiological Protection Board and Her Majesty's Inspectorate of Pollution (HMIP). The management of Rimnet is HMIP's responsibility.

By this stage, the UK should have been warned of any nuclear accidents abroad, either by the government concerned or by monitoring networks similar to Rimnet on the Continent. There are agreements between EC member countries, and through the International Atomic Energy Agency, so that accident information can be sent to signatories promptly. If these systems fail, as they did with Chernobyl, Rimnet is designed to give warning early enough for action to be taken.

The DoE's information office is responsible for alerting farmers and the food industry, and for contacting water authorities and the press. The plan is to send out as much information as possible using all available media to prevent government departments being flooded with calls from the public.

After an accident, thorough monitoring of food and water will take place and the data will be fed into Rimnet's database to give a clearer picture of fallout effects.

The job of setting up Rimnet's first phase went to a consortium led by UK software house Logica, with Taylor Woodrow Management and Engineering and the Eberline Instrument Company.

The second phase will not only double the number of monitoring stations, but also increase the amount of automation on the network. Expert systems will probably be used to make sense of the enormous amount of data fed into Rimnet's main computer.

In a dedicated control room, interpreted data will be displayed on large wall-mounted screens.

Peter Knight

Control Techniques

Dynamic drive behind a technical edge

Anthony Moreton on an acquisitive engineering company

How does a start-up company establish a position in the world league in its specialised area? Control Techniques, a small engineering company based in Newtown, an equally small place in mid-Wales, says the answer is heavy spending on research and development.

Started 16 years ago to make "drives", or controllers, for electric motors, Control Techniques has become one of the top three in Europe in its niche, competing with names such as Asea Brown Boveri, Toshiba and Mitsubishi.

"We have very strong views on our commitment to R&D," says Trevor Wheatley, the chairman. "It's the easiest thing in the world to boost profits by cutting it out. I could improve the short-term profits of this company by 50 per cent if I did that.

"It would appear to work miracles. But they would be short-term miracles. If you have any intention of being in business long-term then a substantial investment in R&D is absolutely essential."

That policy bore fruit in July, when the company began selling Vector, which it says is "a completely new generation of AC controlled-drive machines."

For those whose knowledge of electricity is buried deep in the recesses of school physics, DC (direct current) is the sort of fixed current that comes, for instance, from a battery, while AC (alternating current), which comes from the mains and supplies our lighting and runs our motors, oscillates.

Drives regulate the way an electric motor runs. Some motors run at a fixed speed, others can be made to accelerate (and decelerate in reverse) to any speed.

AC drives are the workhorse of industry. There are millions of them around the world. Till now an owner wanting to change the speed of his AC drive had to change the motor. With Vector he can bolt it on to his existing machinery and get a variable speed motor. "As a result of Vector we are now able to vary the speed of AC motors," Wheatley says.

"Vector will bring the sort of dynamic performance to AC drives that was previously only available on DC. It will replace DC drives in a vast part of the market. We can now get better performance using a standard AC motor than before. It will be the variable-speed drive for *the foreseeable future.*"

Control Techniques has not been alone in working towards upgrading AC drives. But other companies, Wheatley asserts, have only got test-bed motors. "No one is producing this product in volume on as sensible a cost basis as we are."

This is a big claim but it is one that analyst John McGhee, of Warburg Securities, supports. "I am sure Wheatley is correct in his claim," he says. "There has been a big breakthrough in this area in recent years and it is now possible to control AC motors with electronic devices. Control Techniques has become a world leader in the sector, able to compete with the large Japanese companies.

"The principles behind Vector are not new. Big companies like Reliance Electric in the US and GEC in Britain have worked on it but not really developed it. It was left to Control Techniques to make it applicable for a wide market and it now supplies it for the large companies."

Control Techniques produces both variable speed AC and DC drives. In the UK it is virtually the only producer of AC drives and it is one of the top three in Europe. In DC drives it has about a fifth of the British market though it is not a significant player on the international stage. While the market for AC drives is growing rapidly by about 15-20 per cent a year in Britain, that for DC is much more static, hovering between 3 and 5 per cent.

"Everyone may think DC is dying," says Ken Briggs, a joint managing director, "but it lives on and there is good business in it. But the future is in AC as the world increasingly uses computers and drives become more sophisticated."

Control Techniques was set up as a result of a conversation over dinner at a trade fair in Hanover. Wheatley and Briggs, together with Kevin Curran, now a joint managing director, had worked for a company in Gloucester for six years before Wheatley moved north. Briggs remembers saying: "Wouldn't it be nice to go on our own?"

In order to do that the three had to sell their houses to raise the initial capital. They were then faced with having to find a suitable location. "We wrote to virtually every development agency we could think of saying we wanted a small factory and houses for key staff," Briggs says. "By the staff, we meant us. We would have gone almost anywhere that offered a roof over our heads. Most of those we approached were not very sympathetic but Newtown was most co-operative."

Today the company occupies two factories in Newtown, another at Telford not far away down the M54 motorway and others in North America, Milan and Singapore.

Control Techniques had a turnover of £23m in the 12 months to September 1988, the last full financial year. Pre-tax profits for the period were £2.7m. Helped by acquisitions, turnover jumped to £16.2m in the first half of this financial year – the six months ending in March 1989. Profits rose to £1.6m. The company employs some 800 people around the world. The founders have moved out into substantially bigger houses in the mid-Wales countryside; they went public in 1985.

In the beginning Control Techniques made large DC drives – those from 7.5kW or 10hp – up to 1,000kW and did not move into AC until 1983; now its business is equally divided between the two as it increasingly moved into smaller drives.

Having established a firm home market, Control Techniques subsequently diversified both its product and its geographic base. "If we were to support our customers properly then we had to be where they were. We had the choice of starting from scratch or buying an existing operation and we took the latter course because it is easier, quicker and less expensive."

The company is also in process control, the sector in which temperature is controlled during production. "This area is still fairly small," Wheatley says, "but customers for our drives are often the same as for process control. There is a lot of synergy."

On the product side Control Techniques has recently expanded into numerical controls and has a five-year target to bring the new process control division to the point where it is as big as its drives business.

First, though, the strategy was to expand internationally and Wheatley identified three main areas on which to concentrate – Europe, the Far East and North America. The first acquisition was Burton Industries, based in Rhode Island, in the US, at the end of 1986, a company which early this year changed its name to Control Techniques Inc.

This was followed by Euro Controls in Singapore (which has also changed its name to CT), where a new manufacturing plant has been set up. Last June, it bought an Australian company, Power Electronics, and in the UK the acquisition of two companies enabled it to open drive centres nearer the customer at Leeds, Birmingham and Luton.

The purchase of Control & Readout of Worthing in August last year moved the group into temperature process control equipment.

One acquisition, Soprel, of Milan, took the company into servo drives. A variable-speed drive regulates the speed of a motor and a servo-drive accounts for the position of a part, such as a rotor arm in a robotics machine. The most recent acquisition, in August, has been Moore Reed, of Andover, which employs 130 making special motion-control motors such as used in tachographs.

The acquisition of Soprel has given Control Techniques a significant position in Italy. Ideally, according to Ken Briggs, the company would like to be in West Germany, too. "Germany is three to four times the size of the UK as a machine maker and is the third biggest market in the world for drives after Japan and the US.

"We already sell to Germany, and sell well. But we feel we need our own company there. It could be in manufacturing, but that is not a necessity. A drive centre, a related production area or a standard sales outlook would be fine. We have been looking in Germany for about five years and a couple of times we have almost signed contracts. But each time the German company has withdrawn at the last moment. This has been frustrating but we will succeed one day."

Tony Andrews

Kevin Curran (left), Trevor Wheatley (centre) and Ken Briggs: trawled the development agencies

Just-in-time: 'The philosophy of working properly'

Nick Garnett on the attitude of McDonnell Douglas's computer manufacturing subsidiary to the Japanese production system

Barrie Laver's views of British management fall somewhat short of an endorsement. "The principal characteristic has been its arrogance. British companies have been run either by nepotism or through a kind of class system. Managers were unapproachable, parked in their own marked car spaces and urinated in a different toilet from everyone else."

The manufacturing director for the UK computer manufacturing subsidiary of McDonnell Douglas, the US company better known for making aircraft, thinks things have changed, but not much. "A lot of UK management was rubbish and it largely still is," Laver says.

He detected this sort of arrogance among some of the British managers who visited his company's Hemel Hempstead factory to see its Just-in-time (Jit) production system. "They thought we had sold out to the workforce."

Happily, that was not the response of the majority and the Jit system at Hemel has become one of the most visited under the Department of Trade and Industry's programme to encourage better manufacturing practices.

Jit, by promoting big reductions in buffer stocks and encouraging the saving of factory floorspace, is a way of reducing production costs and helping change factory culture. Its introduction, though, frequently poses problems.

The Hemel plant, which manufactures super-mini computers, is a useful case study in how to install Jit into a middle-sized manufacturing plant. Introduced over a three-year period, Jit has saved one third of factory floor space and has allowed the company to maintain its inventory at about £7.5m while increasing throughput at a compound rate of 20 per cent a year.

The computer systems business at Hemel, in which McDonnell plans soon to reduce its stake to a minority, employs 150, and had sales last year of £131m on which it made a pre-tax profit of £21.5m.

The non-union plant makes just 600 computers a year; it is not a high volume operation with very complicated manufacturing processes. However, its managers believe the steps they took to introduce Jit could be used as a role model for similar sized companies.

● The first phase was to make a close examination of a Jit plant making similar products. Hemel managers had the benefit of studying a sister plant within McDonnell Douglas in California where the introduction of Jit had been by no means totally successful.

● A team was set up at Hemel to study Jit further and make recommendations. It included people from all sections of manufacturing, including materials control, production control, production engineering, computer systems and accounting. The initial phase took nine months.

● During this period, the fitting area – the middle of the process of making a supermini – was chosen as the place to start Jit. This was because jobs in fitting are measured in hours rather than days. If mistakes were made in the Jit system, these could be overcome by working more overtime.

Trigger levels

Laver says that one of the main problems with the Jit programme in California was that it was started at the front end of the process – the more complicated task of building the memory boards. When things went wrong there, the whole process was affected.

Hemel also had to choose its so-called "trigger levels". These refer to the levels at which stocks in each section are allowed to decline before a "call" is made to replenish those stocks, using a system of coloured markers (called kanban). These initial levels in the fitting area allowed more slack in the control of inventory than managers thought could eventually be achieved.

● While Jit was being examined – which also involved visits to other Jit plants by managers and production workers – a large education programme was started. All employees received information on the overall aims of Jit at Hemel and on how systems worked at other companies.

● It was also realised that the changes would require shop-floor workers to do a wider range of jobs. This was because they would occasionally be transferred to other parts of the factory which needed more hands for the tight Jit-governed production flow.

A table of all production workers and their skills was drawn up. This showed that 30 per cent of production employees could do 70 per cent of the jobs. A big retraining programme to give them extra skills was started.

At first Hemel thought it could do all this itself but found it could not. The Production Engineering Research Association (Pera) at Melton Mowbray was called in at a cost of £60,000. Its staff helped with retraining and also trained people to continue with it once Pera had left. Laver says particular attention was paid to foremen and supervisors who would no longer have a traditional role.

Because workers would be switched from time to time to areas traditionally commanding higher – and in some cases lower – pay than those they were used to, everybody went on to the higher rate of shopfloor pay. Laver says it would have been folly to do otherwise.

So that workers could participate in the process, they were given the opportunity to design their own Jit system. The company found, though, that its professional engineers ultimately provided the solutions.

● Jit was introduced to further parts of the factory over the following two years, finishing up with the taking in of components and the despatch of finished goods. These later phases of Jit were started off with just 25 per cent of "slack" in trigger levels.

In the past few months, staff at Hemel have been attempting to spread the message to their suppliers. Some companies introducing Jit attempt to bring in their suppliers much earlier than this. "We thought we would get ourselves pure in word and deed before we tried to spread the spirit of it."

Asked what he would do differently, Laver says: "We would start training earlier and train more people. Jit is about the philosophy of working properly, not just adding value."

TELEVISION

Final fling into the void

The *real* television critic returns next week, which means that my ersatz struts and frets are at an end, and that I am about to be cast back into the void of voiceless viewerdom from whence I came.

What I hadn't realised until these last few weeks was how good British television really is. I am referring to the doomed, duopolistic, earth-bound variety, for I do not own a satellite dish, have nowhere to put one and no wish to buy one. I shall never take the box in the corner for granted again. When personnel from the TV Detection Force next pound down my door, I shall show them my television licence in its handsome silver frame.

The excellence of so much of British television was typified on Sunday by *Screen One — 1996* (BBC 1), G.F. Newman's finely written, beautifully shot and shimmeringly well paced thriller in which Keith Barron played a senior police officer sent to investigate a shoot-to-kill policy mounted against alleged Welsh Nationalist terrorists. Newman described it as a contemporary drama about a critical issue — police policing the police. It was that, alright. It was also as fine a piece of television as anyone could hope for.

★

Sunday also marked the start of a new series of *The South Bank Show* (ITV), in which rich-and-famous author Melvyn Bragg interviewed rich-and-famous-but-younger author Martin Amis about the new Amis novel, *London Fields*, which is receiving as much hype as a Mars landing. Jolly good luck to him, for Amis' joke makes virtually all other British novelists seem puny and bed-bound.

Good luck to Bragg, too, who has been the driving force behind *The South Bank Show* for 12 years and who said last week that he hopes to raise £1m worth of sponsorship so as to cushion the show's cost to London Weekend Television. Each *South Bank* costs about £75,000 and attracts an audience of around 2m. In the funniest remark in the Press all week, a columnist of the London evening tabloid suggested that a suitable sponsor might be Melvyn himself. But perhaps he's asking Martin.

★

One of the best uses to which television is put is the recording of the Earth's threatened places and wildlife, so that those who come after us will know what they have missed. It is for this reason that Anglia Television, which produced last week's *Survival Special: Antarctica — The Last Frontier* for ITV, ought to be afforded protected species status itself when the whirligig of broadcasting deregulation starts to wreak its havoc.

I used to get as much happiness from wildlife programmes as from anything on television. Now they only sadden me. The better they become — the more remarkable the photography or skilled the direction and editing — the more I suspect that many of the sights and wonders recorded by the wildlife cameramen will soon be gone for ever.

As the *Survival* team made clear in its two-hour special, Antarctica really is the last frontier. It is the size of India plus China, the coldest and windiest place on Earth, not entirely free of pollution but by far the least polluted continent, a fragile wilderness, home of the blue whale, of 30m seals, of 100m penguins and of seabirds uncountable. I expect we shall smash it up.

Equally fine, though at much shorter length, was *Le Paradoxe des Empereurs* on *Wildlife Showcase* (BBC 2) which paid homage to the surrealistic lifestyle of Antarctica's Emperor penguins. There was some hauntingly fine camera work. For good measure, Channel 4 showed us a replay of *The Way of an Eagle*, another Anglia production, previously seen on ITV, about the golden eagle, which is persecuted and killed wherever it is found, even in Scotland.

If Antarctica wasn't in potential danger, it would be much less interesting. Perhaps the first flush of technological achievement — on all planets, everywhere — has always been accompanied by destruction of the environment and of species weird and wonderful. There used to be a Russian physicist who speculated that in the history of our own galaxy, thousands of civilisations must have fled towards the galactic centre as their own suns blinked out. If so, there must be a video library somewhere in the Milky Way stuffed to overflowing with *Survival*-type specials and films as melancholic as *Paradoxe des Empereurs*.

★

I enjoy a bit of magic, which is why I watched *The Best of Magic* (ITV) in a childlike trance. I can never work it out, not even the simplest card trick, let alone the high-tech feats of an artiste like Princess Tenko ("Japan's superstar of magic"), or the sexy figgery-pokery of a couple known as the Pendragons ("America's top illusionist team"), who have elevated levitation to a new and kinky art form, or the tricks of Arturo Brachetti ("the world's master of quick change"), who performs as fetchingly as a boy-wizard at a Florentine court.

Far less watchable was *The Magic of David Copperfield* (BBC 1) in which the "American master of illusion" first flirted with a giant buzz saw, which appeared to cut him in half, before getting up to some nonsense involving the Bermuda Triangle. He has a razor-cut profile and far too much chest hair.

In a future showing of *The Best of Magic* we are told that Hans Moretti will perform a "spectacular" version of the bullet-in-the-mouth trick, which is said to have claimed numerous magicians' lives including that of Chung Ling Soo who was killed on the stage of the Wood Green Empire in London in 1918. Houdini never tried this trick. He is said to have weighed the odds carefully, and not to have liked his chances. Perhaps they should use the bullet trick to liven up *other* shows and personalities: the weathermen, for instance, when the next hurricane is looming, or Angela Rippon, or *Channel 4 News*.

★

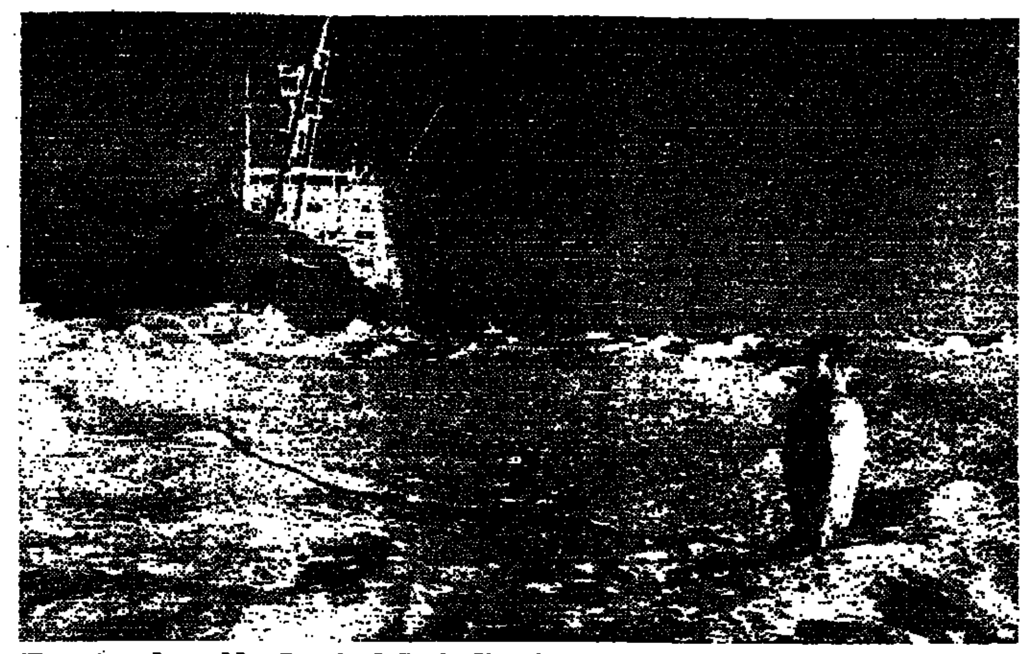
Unless they are careful, Britain's package tour operators will soon have as black a name as estate agents and architects. Certainly their cause was undermined by an excellent *This Week* (ITV), which examined how the use of atrociously horrible apartments in some of the travel companies' brochures, such as that of Falcoln Holidays, was fanning the lager lout problem on the Mediterranean island of Ibiza, which was said to be in "crisis."

Ibiza used to be a haunt of the beautiful people. Now it gets the yobs, or at least it is alleged to. I was there two years ago. I had a villa in the hills above San Antonio, which is where much of the trouble occurs, custom built, as it has been, for Club Bonk and Plonk. The greed of the island's developers and hoteliers was everywhere in evidence, which is why Ibiza now has a glut of hotel rooms. This is far more Ibiza's fault than that of UK tour operators, as *This Week* established in a programme that crackled along nicely – performing, in the process, a far greater service for holiday-makers and the travel trade than any of those appallingly puffy travel shows that are one of the disgraces of British broadcasting.

★

In *Rape: That's Entertainment?* (BBC 1), *Omnibus* asked whether the cinema could responsibly explore the violent reality of rape without titillating its audience, and whether film-makers had a responsibility to debunk the male myths that surround this most personalised form of violence. On the evidence supplied by *Omnibus* it seems that it is relatively easy for serious film-makers to avoid the rape-as-entertainment trap, and to portray it for the frightening reptilian business that it is. If they *want* to. But not all film-makers are serious. In common with a very high percentage of right-thinking viewers, I would like to see a lot more sexiness on British television, and the purging of all violence. But a viewer is all I am. Which is why no-one asks me.

Michael Thompson-Noel



Threatened worlds: Survival Speical's "Antarctica – The Last Frontier"

Hamlet

HAYMARKET THEATRE, LEICESTER

"You can never bring in a wall" complains one of the mechanicals in the *Dream*. But you can, and give it a leading role, too, as Yuri Lyubimov demonstrates in this patchy recreation of his famous Moscow Taganka production of the early 1970s, which I saw in Belgrade in 1976 on the company's first historic foreign tour.

The revival, presented by Leicester Haymarket, the British Council and the Saison Group, is destined for a world tour after its season at the Haymarket and a visit to the Old Vic in mid-November. It is dedicated to the memory of Vladimir Vysotsky, which is part of the problem. Vysotsky (who died in 1980) was a great Hamlet, a demonically possessed outsider who sounded as though he had crunched his way through a diet of broken glass and iron filings. He was also a poet and a totemic voice of protest at a time when the Taganka lived dangerously in relation to the state.

In that context, David Borowsky's dominant design of the heaving, swishing, rotating heavy hempen arras was a metaphor of suppression around a court scampering for safety. This physical aspect is impressively recreated in Leicester. But as with Lyubimov's other British re-hash, the Lyric Hammersmith *Crime and Punishment*, you feel British actors are stepping in dead men's shoes. The flesh is willing, but the spirit is weak. There is simply no comparison with the organically integrated brilliance of the Taganka *Boris Godunov* we have just seen in Edinburgh.

As before, we have no Fortinbras, the gravediggers appear earlier than usual, the grave gapes wide throughout, and official, strident music (by James T Ford) underpins almost every speech. Daniel Webb's chunky, athletic but as yet spiritually uncoordinated Hamlet leaps in to salvage a skull when first stalked by the Ghost.

There are bagpipes, too, to remind us that the divisive wall is also a wailing one that envelops the murdered and accommodates the grieving. The blobs and knots symbolise the entangled species, and the actors wear mostly heavy brown woollen jumpers, the king and queen in white.

Being on the right side of the wall at the right time is another key motif, and of course the arras may be lifted for performance when the Players arrive. The ship of state sails on when the wall is in full flight, sweeping all before it, bringing Claudius onto Hamlet's sword and clearing the stage with imperious inevitability on Hamlet's death. It sweeps back and forth to make sure no-one is left.

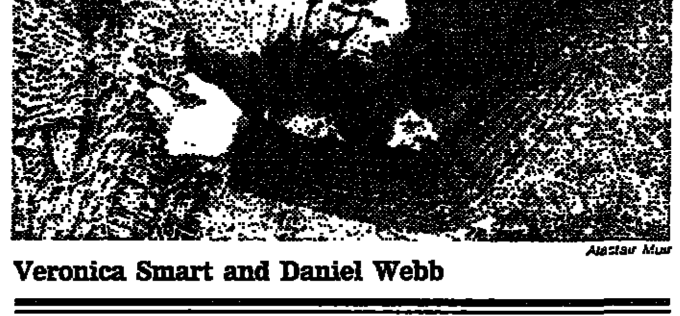
This brilliant scenography remains dislocated, however, from the actual performance. The delivery of the text is woefully poor, and many of the cuts (this is a three-and-a-half hour *Hamlet*) grossly insensitive. The first is a more damaging complaint. Lyubimov's Taganka cast could take refuge in Pasternak's translation. But there is no hiding place, not even in the wall, from the demands of Shakespeare. A voice coach (preferably not from the RSC) should be enlisted immediately.

There is a marked lack of wit and irony in the playing, resulting in a woodenly awkward Polonius from Richard Durden, a vacuous Horatio from the excellent Martin McKellan, an over-strenuous Laertes from Lloyd Owen, a clod-hopping gravedigger from Richard Strange and a one-dimensional, villainously bald-pated Claudius from Andrew Jarvis. Anne White's Gertrude is nervously inflected and guilt-ridden, and should improve with age. David Gant stomps archly around as the Player King.

There are flashes of true inspiration in the Ophelia of Veronica Smart, lifting her dress with unconscious elegance and patting out little sandcastles from the earth she will shortly inhabit. The struggle over her coffin is strikingly done, as is the final duel, Hamlet and Laertes clashing their own weaponry on either side of the stage.

But nothing can disguise the fact that this is a production imposed on an ad hoc company who have been excluded from their rightful place in a creative evolution. Perhaps, after all, that is the real point Lyubimov wanted to make about the tragedy.

Michael Coveney



Alastair Muir

Veronica Smart and Daniel Webb

Chicago Symphony

ALBERT HALL

It comes as quite a shock to see the Albert Hall with seats in the stalls where the Promenaders usually stand. Once the Prom season is over, music-lovers do not usually see the place until a year later, when the tennis and wrestling again give way to the spirit of Henry Wood. This year it has taken a strike to end all that, as the entire audience for Monday's concert was diverted from the Festival Hall and moved to Kensington instead.

This was for the return appearance on their tour of the Chicago Symphony Orchestra under Georg Solti, a major event which would effectively have been the start of the South Bank season and thus a potential candidate for disruption. As it was, after a 15 minute delay, the concert started peaceably enough in its hastily-arranged new venue with a tough and lively performance of Schubert's Fifth Symphony.

One of the fascinating things about occupying the same press seats in a hall is the chance to compare orchestras from the same acoustical viewpoint. The FT seats in the Albert Hall are to the side opposite the cellos and, among all the orchestras that took part in the recently-ended Prom season, there is none that has a cello and bass section to project across the hall with the mighty weight of the Chicago Symphony.

What power they have there. Not quite right for Schubert (though Solti showed a happy lack of inhibition generally about the power of his orchestra in that place). Ideal for Shostakovich, and it was that composer's Eighth Symphony which formed the main part of the programme, allowing not only the lower strings but also the wind to show what they could do, cutting over the top spectrum of the orchestra with a fearless, piercing brilliance. In other hands it is easy to imagine this symphony degenerating into an empty display of virtuosity. But not with Solti, who put before us a work of deeply serious intent, unyielding in its concentration, relentless in its tread, crushing in its awesome power. There was nothing exhilarating about it; the vision one had was rather of a great army of tanks moving relentlessly forward and bludgeoning all that stood in its way. This is, after all, a war symphony (1943) in all but name.

When Solti and the Chicago orchestra came on one of their early visits to London, they played *The Rite of Spring* and I remember the musical atmosphere they brought to that piece being much the same – striking proof of how style and standards have been maintained in their two decades together. This will be the last such visit, as Solti leaves his post as Music Director at the end of the 1990-1 season: like Karajan and Berlin, the end of an era.

Richard Fairman

London Symphony

BARBICAN HALL

On Sunday Michael Tilson Thomas and the London Symphony Orchestra, now in its 86th year, opened their season amid the usual tantalising signs of backstage seething. The programme listed far fewer players than we actually heard (and some that we didn't) – not even a full clarinet team; the first-desk woodwinds played musical chairs all evening; there was a guest Leader, Kees Hulsmann, in place of Alexander Barantschik. Life in the LSO must be exciting. So, nevertheless, was the concert.

Tilson Thomas began with the Fourth Symphony of Beethoven, which was bold and bracing. If the Adagio introduction was excessively drawn out, he engineered a fine crackle for the choppy string-writing in the main Allegro vivace. The slow movement was aggressively forthright, but also eloquent and persuasive; sharp contrasts enhanced the Scherzo, and the Finale was properly dazzling.

None of it prepared us for Colin Matthews' new *Quatrain* – announced on one page of the programme as a "world première," on another as only a "U.K. première;" perhaps the LSO tried it on Japan last spring? At any rate it was a commission sponsored by Shell UK, like the concert itself, and aurally it was analogous to a particularly virulent paint-stripper.

No strings, just banks of searing woodwinds and brass, threatened from behind by a battery of metallic percussion; a lucid, ferociously taut construction in a single well-sectioned movement, centred upon a kind of chant. It is "terrific" in the old-fashioned sense, but it also shows Matthews at the height of his craftsmanly powers. For all its deliberate stridency, there is no phrase in *Quatrain* without an exact point – as even the most scarified listeners could probably hear, though they might not wish to hear it again too soon.

Something like that was true of the *Rite of Spring* performance, which shared the second half of the concert with the "Aldous Huxley" Variations Stravinsky composed more than fifty years later. Tilson Thomas's scrupulous exposition of the latter promised to flow more smoothly after another performance or two. As for the *Rite*, there were self-conscious touches (slow-stretched introductions to both parts, Bernsteinish heaves in the "Rondes printanières") and some unsolved problems of balance: a top trumpet-line simply vanished, some other tunes were drowned, expert but domineering timpani concealed vital detail in tuttis. Yet the result was authentically sensational; the sophisticated barbarism of the *Rite* is essential to it, not mere surface-colour, and Tilson Thomas made the most of that dangerous quality.

David Murray

Benjamin Frith

WIGMORE HALL

A joint winner in this year's Artur Rubinstein International Piano Master Competition, young Frith was enlisted twice over for the Wigmore's current Beethoven Festival – for an ensemble concert ten days ago, and at lunchtime on Monday as soloist in the monumental "Diabelli" Variations.

He turned up to play them in a blue sweatshirt, as if to insist modestly that this was a workshop-performance. It evidently was: but chiefly because the strengths of his account, and its far-sighted scale, promised so much still to come.

Frith is already a searching interpreter of Beethoven, and he missed nothing of the rough, sulphurously jokey side of the Variations. He captured it exactly in the "theme" itself, Diabelli's blissfully vapid waltz, and in all the right passages later. (The hefty jabs which transmitted it struck me as well in place, for we needn't doubt that Beethoven himself – if deafness had not terminated his concert-career long before – would have left his audience fairly bruised.)

But he also lit up the ethereally serene passages which recall the last sonatas, above all the final fifteen bars; the biggest Beethovenian contrasts got full measure, and the work closed with the sense of a long perspective behind it.

In detail, some reservations were in order. Though he brandishes no virtuoso tricks, Frith's agile left hand was a notable asset in the muscular variations, which made it the more surprising that his repeated-notes, especially in dotted rhythms – a great feature of the "Diabelli" – were so indeterminate. Perhaps that, like some smudgy over-pedalling early on, could be put down to coping with an unfamiliar instrument.

But one thing that Frith has in common with the Van Cliburn prizewinner I heard last week, Alexei Sultanov, is an unfocussed *mezzo-piano* in lyrical music, too mild and recessive yet to register firmly; and at low temperatures, his grip on Beethoven's rhythms slackened.

All the *fugato* passages were translucent, and the penultimate "Fuga" tingled. It absolutely requires, however, a preceding Largo of extreme breadth – where Frith treated the florid quasi-vocal line to extreme subtleties, but let the supporting pulse slither and skid. He is well on his way to a "Diabelli" which is both tougher, and more vividly illuminated in the middle-ground; that will be worth waiting for.

David Murray

Forbidden Planet

CAMBRIDGE THEATRE

The critics of the quality papers huddled together in the interval to discuss abstruse points and esoteric details. What did Connie Francis sing apart from "Who's Sorry Now"? Was it the Zombies who recorded "She's Not There"? What happened to the Byrds after "Hey, Mr Tambourine Man"?

They also noted, as an afterthought, that the dialogue contained snippets of *King Lear, Romeo, Macbeth, Julius Caesar, Twelfth Night* and *Hamlet. Henry V* was yet to come.

Return to the Forbidden Planet is an engaging oddity uncertain of its audience. It tries for *Rocky Horror* cultishness (achieved, I gather, in Coventry since its April premiere) but lacks the knowingness of camp. This Sci-Fi version of *The Tempest*, set to rock and roll hits from the late 1950s and '60s, would appear to be aimed seriously at the nostalgia market; possibly critics *d'un certain age*.

By the end a young couple were bopping in the circle, and the back stalls were on their feet, jiving with the nervously preoccupied air of financial backers.

Captain Tempest's space ship hits the forbidden D'Illyria ("What planet, friend, is this?") after being damaged by asteroids, a disaster which moves the crew to nothing more extreme than a spirited rendition of "Great Balls of Fire".

Dr Prospero is a sinister genius, set adrift in space by his wife years before; Ariel is a silver metal robot on roller skates, a descendant of the Tin Man and M.Michelin with a dash of *Starlight Express* in his costume. "But soft, what light from yonder air-lock breaks?" It's Miranda with pony-tail and white socks whose appearance prompts the assembly to burst into "Good Vibrations".

Tubby little Cookie, the space-ship's caterer, falls for her, and celebrates a kiss with "Ain't Gonna Wash for a Week" – with which Matthew Devitt, a funky singer and guitarist, gets the show off the ground, and into orbit. Prospero disowns Miranda in the words of Lear; to which she ripostes with "Why Must I be a Teenager in Love"?

And so it goes. The huge green tentacles that penetrate the ship (rather ingeniously picking one man up) belong to a monster from the evil human subconscious that Prospero has harnessed, inspiring the immortal line, "Beware the ids that march!" Prospero urges the winds to howl and crack their cheeks, adding, in passable imitation of another king, "I'm all shook up."

Introduced by Patrick Moore who acts as chorus and Puckish epilogue on video, the author Bob Carlton's production is cheerful and ear-splitting. The talented cast sing and play (trumpets, trombones and saxophones feature besides the expected keyboards, drums and guitars).

Kate Edgar's musical direction and Carole Todd's musical staging are overpoweringly vivacious and efficient. But despite Rodney Ford's ingenious space-ship set (the metallic offcuts of *Metropolis* in wedding cake style) centred round the keyboard/control panel, the show remains a concert; not least when actors are forced to gather round the one with the hand-mike, or to pass it to one another during dialogue.

Martin Hoyle

ARTS GUIDE

September 15-21

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production, Geraldine James a superb Portia (836 2294).

The Black Prince (Aldwych). Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 3464).

A Flea in Her Ear (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. Jim Broadbent leads good cast as the discomfited insurance manager and his doppelganger, a drunken hotel porter. An interesting, enjoyable, unfairly derided experiment (928 7616, cc 240 7200).

Veterans Day (Haymarket). Imperfect Donald Freed nationalist paranoia play about three veterans gathered to bump off thePresident partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Miss Saigon (Drury Lane Theatre). The new musical about the US withdrawal from Vietnam from the Les Miserables team opens tonight, having taken £5m in advanced bookings. 7pm. (836 8108)

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy.

The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit (239 6200).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos in revolutionary Paris brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes after its transfer from London's West End via Broadway (922 2110).

Washington

The Cocktail Hour (Eisenhower). The original Broadway cast including Nancy Marchand and Keene Curtis bring in A. R. Gurney's latest comedy of manners, in which a writer asks his family's permission to write about them. Ends Sept 23. Kennedy Center (254 3670).

Tokyo

Kabuki, Kabuki-za. Both the 11.00am and 4.30pm performances are mixed programmes this month. The highlight of the evening show is undoubtedly Cho no Michiyuki (The Butterflies' Journey), a gorgeous dance piece about two lovers whose transformation into butterflies is a symbol of death.

Tickets can be purchased for a single act on the day of the performance and the theatre provides informative English-language programmes and earphone commentary for non-Japanese speakers (541 3131).

Bunraku, National Theatre (265 7411). The matinee performance at 12 noon offers a rare opportunity to see one of the classics of the puppet theatre in its entirety, Futatsu Chocho Kuruwa Nikki (The Two Butterflies) is famous for a scene in which two puppets wrestle. The 5pm performance is a mixed programme featuring tales of revenge, suicide and murder! Earphone commentary and programme notes in English help the uninitiated.

Maly Theatre, Leningrad. One of the USSR's oldest and most innovative companies in an adaptation (in Russian) of William Golding's Lord of the Flies (Tues), in repertory with two new Soviet plays, Stars in the Morning Sky (Wed, Thurs) and the epic six-hour Brothers and Sisters. Ginza Saison Theatre (535 0555).

FINANCIAL TIMES

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Progress on EC anti-trust

AN AGREED role for the European Commission in vetting large takeovers is desirable, both to ensure consistency across the Community and to avoid regulatory conflict between Brussels and national governments. Yet if the Commission is to play a constructive role, its policy must be shaped by two overriding requirements. One is that it must be guided by the need to promote competition, leaving as little room as possible for debate on imprecise questions about matters of public interest. The other is that its approach should be both rigorous and consistent, leaving businessmen with a clear idea of the type of transaction that is likely to be caught in the Brussels net. Judgments about what might constitute a threat to competition have to be taken on a case-by-case basis. But any exceptions and potential loopholes need, as far as possible, to be specified in advance.

Room for doubts

Progress has been made towards meeting these criteria, and the French, in their role as Commission president, will be going all out for an agreement by the end of the year. But after the latest round of negotiations this week, there is still room for doubts. Competition will indeed be the test for coming to a decision on a merger – but that will be judged in the light of, among other things, the competitiveness of the relevant sectors in the Community in relation to world competition. Another factor to be taken into account will be "the need to intensify the competitiveness of undertakings located in regions which, owing mainly to a lag in development, are greatly in need of restructuring."

Even the British have apparently been persuaded that this form of wording will not allow the Commission to charge ahead with the creation of Euro-champions or a Community-wide industrial policy: the Commission itself says very strongly that this is the last thing it wants to do. And it seems that French ideas about introducing some form of reciprocity into the proposals are regarded as innocuous even by those who are normally most suspicious of the concept. All the same, the Commission is going to have to prove itself in the early years by showing that it will not be swayed by regional political interests.

Another area of concern is about the circumstances in which national governments can be allowed to override the authority of Brussels. This comes under two headings. The West Germans, perhaps scarred by the reaction to their decision to permit the Daimler-MBB merger, are particularly anxious to retain a national influence on competition matters. The Commission will have to convince them that it will be at least as rigorous as the Cartel Office in Berlin. It must also pay close attention in each case to the relevant market, which in some large mergers may be a single EC country.

Then there are the sectors in which national governments might legitimately have a special interest – such as defence or broadcasting. The draft proposals seem to tackle this issue sensibly. Any such exemptions will have to be specified in national legislation, and must not be incompatible with the treaty by, for instance, discriminating between Community companies.

Limited role

The logic of all this is that, in the early stages, the Commission's role should be limited to vetting only the biggest transactions while it establishes a performance record. France, the UK and West Germany have proposed a threshold which would bring in companies with combined sales of more than 5bn Ecus (£3.38bn): apparently this would catch around 50 or 60 deals a year, which is quite enough to be going on with. Some of the smaller countries would like a lower threshold, but it ought to be possible to allow them to submit smaller transactions to the Commission's authority if it suits them to do so. The Commission, too, would like a lower threshold, but it would be wise to move cautiously. A Community-wide merger policy may be desirable but it is not absolutely essential. A flawed regime would be a lot worse than leaving things as they are.

Impersonal equity plans

THE LIVELY correspondence about personal equity plans in our letters column highlights two aspects of Mr Nigel Lawson's pet savings scheme. One is that PEPs have become a great deal more popular this year, since upgraded terms were unveiled in the Budget in March. But the other is that many investors have become confused about the motivation behind PEPs: a scheme that was originally about attracting private individuals to direct share ownership looks increasingly like another institutional investment vehicle.

Personal equity plans were originally proposed in the 1986 Budget, and elaborate conditions were drawn up to ensure that planholders received annual reports, were entitled to vote and so on. It was an element in the Conservative Government's strategy to promote "popular capitalism." Unit trusts were originally excluded, but were later (along with investment trusts) allowed to become a small element of a plan. Although 270,000 plans were sold in 1987, the first year, only another 120,000 were sold in 1988 as it became apparent that the cost disadvantages tended to outweigh the tax relief on offer. After two years, the total invested was some £700m.

Mass marketing

Business has picked up. PEPs can now be bigger, and more importantly, £2,400 can be placed in a plan devoted entirely to unit trusts or investment trusts. This has brought them for the first time fully within the framework of mass marketing. Meanwhile, some of the administratively difficult requirements for direct shareholdings have been simplified. But individual share PEPs are still quite expensive to run and more experienced private investors are asking why they cannot administer the plans more economically themselves, rather than rely on expensive managers approved by the Inland Revenue. As things stand, these savings vehicles could be more aptly called impersonal equity plans.

Whatever the remaining drawbacks, the plans appear to be selling much more heavily this year. The full impact will not become apparent until the dealing deadlines are approached, but UBS Phillips & Drew has suggested that PEPs might attract as much as £4bn a year. The longer-term projections are bound to be speculative: the terms of the plans are variable from year to year, and they would not survive a change to a Labour Government in anything like their present form. For the time being, however, the money is rolling in.

But what is being achieved? The close identification of private shareholders with companies is no longer a central ingredient of PEPs. It can be assumed, in fact, that most of the money from now on will go into plans based on unit trusts or investment trusts. So the PEP has been turned into little more than just another institutional tax shelter.

Change of mind

This has represented a significant change of mind by the Government. An original objective was to halt and reverse the decline in direct private shareholding in the UK. Millions of new shareholders have appeared, largely as a result of privatisation – but usually owning only one or two tiny stakes. Meanwhile the proportion of UK equities owned by private shareholders has continued to fall – from just over 30 per cent when the Tories regained power in 1979 to perhaps as little as 19 per cent by the end of 1988.

Viewed as a shelter against income tax and capital gains tax, PEPs are defensible, since they represent a step towards an expenditure tax. But this clearly conflicts with the Chancellor's announced aim of moving towards a comprehensive income tax, as well as with a number of changes he has introduced (such as the withdrawal of life insurance relief).

What is clear is that the political appeal of PEPs has been dented. Perhaps the Chancellor will feel able to shift the emphasis back towards direct shareholdings once the popularity of the plans has been established. But it is not surprising that many FT readers should be disappointed at finding themselves tied up in so much institutional red tape.

Anatole Kaletsky considers the collapse of the US junk bond market

The lure of the roller-coaster

There was one possible consolation for Wall Street in last week's collapse of the junk bond market. Consolation was certainly needed: the sharp drop in the market in these high-yielding, risky securities was probably the worst financial panic to hit the US since the 1987 stock market crash.

The consolation came in this line of reasoning: junk bond investors' past blindness to the risks of excessive lending had pushed US takeover prices to dangerously extravagant levels; perhaps then, last week's chastisement would prove a relatively painless way of bringing Wall Street back to its senses before too late.

Campeau, the struggling Canadian retailer whose problems triggered the junk bond crisis was only the latest in a long series of highly leveraged companies that had been falling by the wayside in the last 12 months. All the problem cases, which ranged from Revco Drugstores to Fruehauf Trailers to SCI Television and Ohio Mattress, had one fundamental flaw in common. They had overpaid and overborrowed in a takeover, leveraged buy-out or refinancing.

Junk bonds played a central role in this collective act of over-leverage. Last week, as Campeau's problems came to a head, the whole junk market reacted. Even the bonds of better-capitalised issuers such as RJR Nabisco fell 5 per cent or more. Worse, the market for many smaller issues of these securities dried up completely – an ominous reminder of the collapse of liquidity that occurred in the stock-market in 1987's Black Monday.

In the past, each blunder by the leveraged financiers had produced a bonanza for the stock market. Ballooning takeover prices were bound to be deflated at some point. In neutralising these excesses, a slide in the junk bond market accompanied by some big losses in a few dozen takeover issues seemed preferable to a general market collapse as in 1987.

But even as some analysts were cautiously welcoming the new era of sobriety and stability in the takeover business, a rather different message was suggested by two other developments last week. These two events suggested that one last burst of even more extreme excesses might lie ahead before the merger mania of the 1980s finally ran its course:

● On the very day that Campeau's troubles were reaching their climax, UAL, America's second largest airline company, announced a $6.75bn ($4.3bn) leveraged buy-out.

● The dollar dropped by seven pfennigs against the D-Mark in 30 minutes after a rumour about the collapse of an important US bank because of losses in junk bonds and LBOs.

The rumour about the bank was, of course, unfounded. But it served as a reminder that banks, not junk bond investors, had provided most of the funds for the wave of LBOs. The UAL financing meanwhile suggested that bankers might still be prepared to wade further into the LBO business with or without junk bonds.

UAL is an erratically performing company in a notoriously unstable business nearing the top of an economic cycle. It will be taken private at a price of $300 a share – more than double its value six months ago and five times what it was worth in 1987. How could this risky deal be financed in the midst of a crisis of confidence in junk bonds?

The answer was simple: with no junk bonds at all. Usually, junk bonds are needed because the banks which finance the bulk of any LBO transaction insist on an ample cushion of equity and subordinated debt between their own commitments and the total value of the company to which they lend. If losses occur, they fall first on the equity holders. Subordinated lenders, usually in the junk bond market, then take the next hit. In theory, it is only after the equity and subordinated finance is totally wiped out that bank lenders face the risk of any loss.

For UAL, however, a syndicate of banks led by Citicorp and Chase Manhattan decided they could dispense with the layer of subordinated debt. Indeed, the deal they offered hardly needed any equity either.

The banks agreed to advance on their own more than enough cash to buy UAL – $7.2bn of lending for a deal valued at only $6.75bn. British Airways did put $750m of preferred equity into the LBO and the UAL pilots' pension fund added another $200m. But these sums would be absorbed by fees, working capital and refinancing requirements.

Of course the banks' lending to UAL would be secured by various assets. But would these assets really be worth $7.2bn in the event of a liquidation? As recently as January, the stock market valued the whole company at $2.3bn, less than one third of the sum the banks felt able to "secure" against its assets last week.

This kind of arithmetic suggested an ominous possibility. With junk bond investors suffering from stage fright, were commercial bankers about to step into the role of greater fool in the buy-out tragicomedy?

Mr Jim McDermott of Keefe Bruyette & Woods put the point more diplomatically: "Developments in the junk bond market have put the heat on the banks. Commercial bankers now have to up the ante and come up with a bigger share of the financing if they want to get deals done."

With junk bond investors suffering from stage fright, are commercial bankers about to take the role of greater fool?

Most bankers, of course, reject the criticism of their rapidly growing involvement in leveraged buy-outs, takeovers and refinancing (generically referred to as "highly leveraged transactions" or HLTs).

They have at least four arguments in support of their view. Their credit experience with HLTs has been excellent so far. Their leveraged portfolios are well diversified across industry. Most of the loans they make are rapidly sold on to other banks through worldwide syndication. And finally, they only lend on the security of solid assets – unlike their colleagues in the junk bond market, who have to make do with unsecured loans.

In the last week, however, the banks' defence of their LBO lending has started looking very thin. As Mr George Salem of Prudential Bache said on Friday: "The bell has now rung that LBOs and HLTs are a real threat to the fundamentals and investor psychology of bank stocks."

The fears are hardly surprising. The bankers' arguments about credit experience and diversification are not impressive. Past experience is always encouraging in any lending mania, but this tells us nothing about how future loans will perform. As for diversification, the bank regulators certainly have their doubts. Federal Reserve officials say that they treat all HLTs as a single class of lending when they examine banks for excessive risk concentrations. Not only would a recession or monetary tightening hit HLTs in every industry, but also, even more seriously, the problem of "credit contagion" could easily strike. If one HLT failed it could undermine the creditworthiness of others, just as the Mexican moratorium in 1982 froze lending to Brazil.

What then of the banks' third line of defence – the worldwide syndication of their loans to other institutions? In any one deal, syndication can certainly minimise a bank's exposure. But the number and size of transactions has become so enormous that even after syndication, the leading US banks' exposure has risen to astounding heights.

A study of outstanding loans plus financing commitments by Keefe Bruyette & Woods showed that on June 30, all but three of the big US banks had HLT exposure which exceeded 100 per cent of their equity base. All but four banks had greater exposure to HLTs than to Third World lending.

Why have the banks allowed themselves to become so extended? For the same reasons that drove every credit boom: high interest margins, lavish transaction fees and the bankers' last line of defence – the "security" of asset backing.

This brings us back to UAL and numerous other smaller deals such as Northwest Airlines and the unsuccessful Paramount bid for Time, all of which the banks agreed to finance without recourse to the junk bond market. Bank lending to HLTs may seem adequately secured, but so did their lending to supertanker fleets, Texas real estate developers and Third World governments.

The parallels with Third World lending are particularly suggestive in the case of UAL. A banker involved in this deal who called it "a quite unique commitment for commercial bankers," found it easy enough to justify.

When banks lent $7.2bn on a transaction valued at $6.75bn it might appear as if they enjoyed no equity or subordinated debt protection, but – argued the banker – this overlooked the unusual role of the United Airlines' pilots. In exchange for a 75 per cent ownership stake in UAL, the pilots have agreed to a seven-year employment contract that will cut operating costs by $250m a year. In effect, the bankers say, this introduces a generous layer of equity into the buy-out, since the pilots' concessions have made the company $2bn to $3bn more valuable than it was before. Taking this extra value into consideration, the banks are not lending 107 per cent of UAL's true worth, but only about 70 per cent.

Obviously UAL's eager creditors feel that a contract with the pilots is a solid bankable asset. But then, in the late 1970s, the "full faith and credit of the Mexican Government" could have been described in the same way.

Mexico did not intend to renege on its pledges. It simply was not able to carry them out. Given the long history of fractious labour relations at UAL, could not the same happen here? Would the pilots' union be able to pay the banks $3bn in compensation if all its members decided to break their seven-year contract by resigning *en masse*, for instance, as pilots in Australia have just done?

But if the buy-out boom of the late 1980s resembles the Third World debt craze and other lending booms of the past, there is at least one big, potentially alarming, difference.

In the past, bankers have contributed to financial manias by tempting their clients with easy credit. In the LBO and takeover business, though, banks do not merely tempt companies to borrow – they force them to do so by making loans easily available to potential raiders.

The management of UAL did not particularly want to do a leveraged buy-out, certainly not one valued at double what the company was worth six months ago. The management took on $7bn in debt because if they did not somebody else would – in this case, Mr Marvin Davis, the Los Angeles corporate raider. Like dozens of other US companies, UAL was forced to borrow and to borrow up to the very limit of what the most enthusiastic lenders in the credit markets would allow.

Can this perpetual motion machine be stopped by the scare in the junk bond market?

The conventional wisdom on Wall Street is that takeover prices will now drop and the whole leveraged finance craze will gradually go the way of the yo-yo and hula hoop. But the history of past credit cycles suggests otherwise. No doubt there will be a hiatus. But sooner or later the bankers may be unable to resist. They will want one last spin on the credit roller-coaster.

Bank exposure to highly leveraged transactions*

As of 30.6.89	Loans outstanding $bn	Commitments and other investments $bn	Total exposure $bn	HLT exposure as % of equity	**LDC exposure as % of equity
Citicorp	5.3	7.8	13.1	125	86
Chase Manhattan	3.0	4.3	7.3	144	106
J.P.Morgan	1.5	1.5	3.0	49	57
Bank America	1.1	1.3	2.4	49	123
Chemical	2.0	1.1	3.1	76	107
Manufacturers Hanover	3.7	1.7	5.4	162	192
Bankers Trust	3.2	3.7	6.9	193	81
Bank of New York	3.9	2.0	5.9	192	50
First Chicago	1.2	2.4	3.6	139	42
Continental	2.1	1.4	3.5	204	64

*Highly leveraged transactions are as defined by each bank in its quarterly financial reports. The definitions generally include leveraged buy-outs, takeovers and refinancings.
**LDC exposure net of LDC reserves.
Source: Keefe Bruyette & Woods

CORRECTION

An error in the chart accompanying the article about Générale de Banque of Belgium on this page yesterday gave the impression that the bank's assets had fallen in 1988. In fact they rose. The correct figures are:

TOTAL ASSETS
1984 $29.7bn
1985 $31.2bn
1986 $46.6bn
1987 $58.3bn
1988 $63.4bn

We apologise for the error.

Will the City take to arms?

■ The Daily Official List, the journal of the International Stock Exchange, has been printing advertisements on its front page for some time now. And a very strange one appeared on Monday. It is for "Gun-Ball Assault – the only underground combat game in Britain." Readers who want more information are invited to call a number at Monkton Farleigh Mine, near Bath.

So we did. The ad is quite genuine; as is the mine. It is an old bathstone mine that was abandoned around 1935. The army took it over and used it as an ammunition dump, equipping it with electric light and all sorts of other facilities, until the army, too, gave it up in 1960. It turns out to be ideal site for underground games. Indeed it is so far the only underground site for combat games in Britain.

Woodland games are another matter. They are springing up all over the place. In the US there is a whole literature about them with magazines such as Paintball Adventures, Paintball Games and Paintball Monthly.

The principles of woodland and underground combat games are much the same. There are two sides of about 20 people each. They are issued with guns and pellets, made of vegetable dyes, overalls to prevent the players from getting too dirty and glasses to protect their eyes. The sides start about an eighth of a mile apart and try to take each other's flagpost.

The underground game near Bath lasts around three-quarters of an hour, but you can play it several times over. The charge for a full day is £20, including lunch: a little bit more, if you need extra bullets.

Martin Hiscox, one of the four partners at Monkton Farleigh, says that the game is still only in its infancy in Britain. He and his colleagues are engineers and run Gun-Ball Assault part-time because it does not yet make enough money. He has not made a study of the people who play, but describes them as between 18 and 55. "You can't get lost down the mine," he says, "but you need a reasonable standard of fitness. A lot of professional people come from London."

Previous advertising has been placed in the popular newspapers and the car magazines. It was Pearl & Dean that suggested the company should go for the Daily Official List. As of yesterday afternoon, no stockbroker had responded.

OBSERVER

"I understand it's full of nitrates."

Very special

■ The BBC owns a company called Lionheart Television, which is designed to distribute its programmes in the US. Its president and chief executive is Jack Masters, who hopes to achieve sales of $11.5m this year.

Monday's New York Times quoted him as follows: "Mr Masters said the BBC strategy was 'to improve the branding of the BBC label', which he said had come to stand in the United States for programs of special distinction, like 'Six Wives of Henry VII'".

Real Marxist

■ When did a Russian Marxist last fill a hall at the London School of Economics? It certainly happened on Monday night when several hundred old and new left (and some old right) turned out to hear Boris Kagarlitsky deliver the Isaac Deutscher Memorial Lecture on "The Importance of Being Marxist". The School's New Theatre was packed out, and the meeting had to move across the street to the more commodious Old Theatre.

Kagarlitsky won the Deutscher Prize for his book "The Thinking Reed", a history of the Soviet intelligentsia since 1917. He was imprisoned under Brezhnev, but can now speak his mind and even travel abroad. Yet he does not find the Gorbachev regime much of an improvement.

He claims that what is now emerging in Moscow is "a kind of market Stalinism, combining the worst features of both systems".

Only a despotic regime, he argued, could introduce Western-style reforms in Russia, since there was no social class capable of developing capitalism spontaneously. Indeed, articles were now being published in the Soviet press arguing that democracy would have to be sacrificed, or at least postponed, for the sake of a market economy.

The recent miners' strikes, he said, showed that the Soviet working class would not put up with the neo-liberal "reforms" now favoured by the bureaucracy. The socialist movement was "swiftly gaining strength", but had to express itself through a new samizdat, because "publishing Trotsky is more frightening [to the regime] than publishing Solzhenitsyn".

Asked about Gorbachev's own position, Kagarlitsky said it did not make much difference. All the factions in the bureaucracy would like to keep Gorbachev, since whichever wins "he will be the best person to carry out their policies". For real socialism to triumph there would have to be a new revolution "from below".

Lamont's card

■ Norman Lamont, the Chief Secretary to the Treasury and the man looking after this year's public expenditure round, is perhaps more careless with his own money than he is with the taxpayers'.

Lamont dropped in at the publishing party for The Thatcher Decade, the book by my colleague Peter Riddell, duly bought a copy, and then left his Access card behind. It was, of course, immediately returned to him by the press.

Hardly subtle

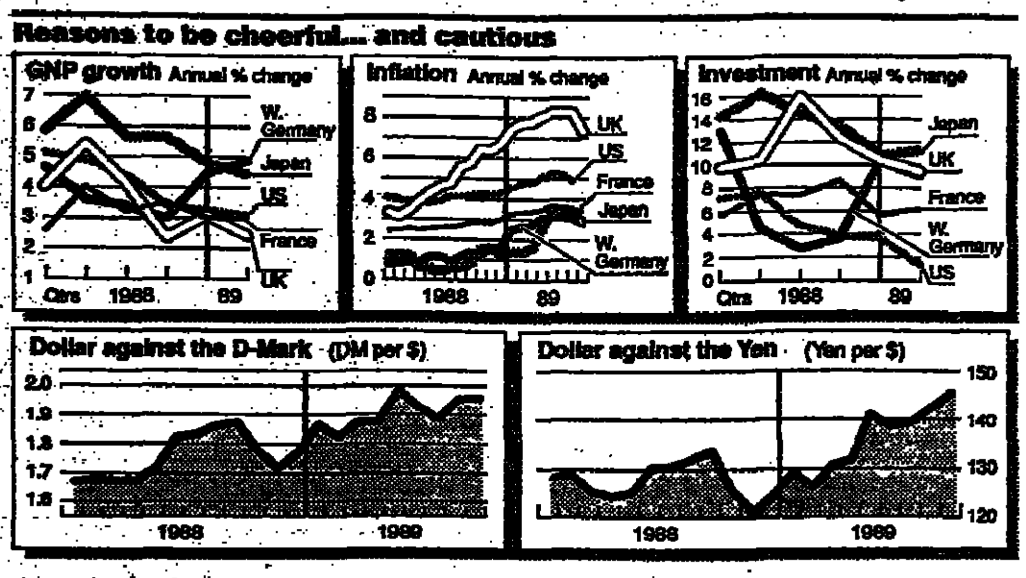
■ Drug makers generally hesitate to link the names of their products to the illnesses they are meant to cure, arguing that if they followed this route the names could be distasteful both to patients and doctors. Instead they choose innocuous titles, such as Zantac for the best-selling ulcer drug made by Glaxo.

Yet the sense of restraint may be breaking down. A small pharmaceuticals group called Seward Medical has launched a new product for clearing people's bowels before operations. It is called GoLytely.

Half way

■ How can you spot a Romanian tourist in Hungary? He's the one trying to escape to East Germany.

Peter Norman on the IMF and World Bank's sanguine forecast for the world economy



Whispered hope for a golden age

There will be more backslapping and bonhomie than usual at this year's annual meetings of the International Monetary Fund and World Bank.

The pin-striped legions of government officials, bankers and media folk who will converge on Washington over the next few days to take the temperature of the world economy will find the patient in unusually rude health.

The IMF's own World Economic Outlook, due for publication this weekend, will describe a world economy that appears to be slowing successfully to a more sustainable rate of economic growth after recent strong expansion. Although still concerned about inflation, which appears to have reached a plateau at an average of between 4 per cent and 4.5 per cent in the big industrial countries, the IMF believes that price pressures should ease over the next year to 18 months.

Normally cautious officials in the world's finance ministries and central banks can now be heard to whisper the previously unthinkable: that the world might be on the edge of a new golden age.

All the major industrial countries have experienced a surge in business investment, implying that last year's 4.1 per cent average expansion in the 24 nations of the Organisation for Economic Co-operation and Development contains the seeds of future growth. Investment is especially strong in Europe as companies jockey for position in the barrier-free internal market planned for the end of 1992.

The seven leading industrial countries — the US, Japan, West Germany, France, Britain, Italy and Canada — are now expected to grow by nearly 3.5 per cent next year compared with IMF forecasts of around 3 per cent in April.

The notion that the world economy might be experiencing a qualitative change for the better was reinforced last week in the annual review of international trade published by the General Agreement on Tariffs and Trade. From Gatt's dour, grey headquarters on the shores of Lake Geneva went out the message that advances in technology, free-market economic policies and a revival of entrepreneurship had boosted the growth of world trade to levels last seen in the 1960s.

However, in the meetings that precede and follow next Tuesday's formal opening of the IMF and Bank annual meetings, the IMF will be at pains to make clear that not all is well in the world economy.

Mr Michel Camdessus, the IMF's managing director, will underline the fund's concern about inadequate investment and output in developing countries. The plight of Latin America's heavily indebted middle-income nations and the growing need of low-income countries for concessional aid are continuing preoccupations for the Fund and Bank.

But the Third World can expect little tangible from this year's Washington meetings. The debt reduction strategy of Mr Nicholas Brady, the US Treasury Secretary, is still being implemented, precluding further initiatives on debt.

A decision to increase the IMF's resources is unlikely. The IMF is now unusually liquid and the World Bank is receiving a growing net transfer of resources from the developing nations which borrow from it.

Where economic problems are all too apparent, as in the middle income Third World debtor nations or the chronically poverty stricken countries of Africa and parts of Asia, the big industrial nations have convinced themselves that they have done all that they can. Because of the voting structure of the Fund and the Bank, the developing nations will reluctantly have to accept this.

Where worries do exist among the policy makers of the major nations, they appear largely impotent to influence events. Nowhere is this more true than in the exchange markets where the recent strength of the dollar poses a particular problem.

Policy makers were slow to realise that deregulation has transferred some of their sovereignty over economic and monetary policy to the financial markets. The markets, reflecting as they do the aggregate of millions of individual decisions, are incapable of exercising the responsibility that usually goes with power.

This shift of power has been felt especially keenly among the Group of Seven finance ministers and central bankers, who meet on Saturday to review economic developments in the light of the stresses experienced earlier this year in the February 1987 Louvre Accord.

The Louvre Accord, devised in response to a protracted decline in the dollar, aimed to to stabilise currencies through intervention and wide-ranging policy co-ordination. It has been undermined by the US currency's unexpected strength.

With hindsight, it is clear that the G7 — and, on a more limited scale, the European Monetary System — inadvertently changed the currency game by allowing capital to flow freely around the globe while aspiring to keep exchange rates stable. No longer can a nation with a current account balance of payments or large budget deficit automatically expect a weak currency or nations with surpluses expect strong currencies.

As long as interest rates are high enough to attract international investors, a US, an Italy or a Spain can enjoy strong currency status. The benefits can be considerable, especially in the battle against inflation.

There are also dangers, however. The surplus countries, now typically with weak currencies, run the risk of importing inflation. For deficit nations there is a risk that their current balances will deteriorate further.

For this reason, there is little confidence among policy makers that the recent improvements in the US visible trade deficit will prove durable. The US believes that the dollar is too strong and would like to see it lower. Both Japan and West Germany are irritated by the respective weakness of the yen and Deutsche mark.

However, this shared dislike of the over-mighty dollar among the three leading G7 members does not make for a joint response to the problem. Practical difficulties hinder resort to interest rate changes to influence currencies at the present stage of the world economic cycle.

The US economy is growing more strongly than anybody, including Mr Alan Greenspan, the chairman of the US Federal Reserve Board, would have thought possible only two months ago. Lower dollar interest rates could give a false signal, reviving inflationary pressures and threatening the hoped-for transition to slower and more sustainable growth.

In West Germany, the authorities have argued that higher D-mark interest rates would curb domestic demand and divert production to export markets. That would add to West Germany's ballooning trade surpluses, and run counter to the US desire to see continuing strong growth in the West German domestic economy.

Saturday's G7 meeting could also see differences between the US and West Germany over trade, intervention and structural policy.

● Washington is critical of West Germany's growing trade surplus, even though the bilateral surplus with the US has declined. The US argues that it has lost sales in Europe to German competition

● On intervention, the US has shifted from rigorous opposition to tampering with market forces in the early 1980s, to being, like France, an enthusiastic supporter of managed currencies. The Bundesbank believes intervention cannot restrain a strong underlying currency movement.

● On structural policy, the two nations are probably closer to philosophical agreement but divided by political realities. Germany argues strongly that the US must adapt its fiscal and budgetary policies to encourage savings, bringing them into better balance with investment.

The US in turn criticises German subsidies of farming and the coal and shipbuilding industries and demands swifter domestic deregulation to stimulate imports.

Such tensions do not spell a rerun of autumn 1987, when a US-German row helped precipitate the global stock market crash. But they show that national priorities still have the upper hand.

The G7 grabs the headlines in a crisis, and behind the scenes its members work together on a wide range of issues, from drugs policy to debt. Its scope is limited however, to policy co-operation rather than the closer co-ordination envisaged under the Louvre Accord.

Civil aviation in Europe

Towards a system of user-friendly regulation

By Christopher Tugendhat

The barriers to airline competition in Europe are falling. The latest proposals from the EC Commission would give airlines greater freedom to operate air services within the Community and to charge the fares they want. It remains to be seen how well they survive negotiation within the Council of Ministers, but as they stand they represent another welcome step towards the creation of an internal market in air services.

This is good news for UK airlines and their passengers. Aviation has been a success story for the UK. The British airline industry is the largest, most dynamic and efficient in Europe, with some of the lowest fares available. It is a record of which we should be proud. I have little doubt that a significant factor in this success has been a regulatory policy which has encouraged competition wherever possible, and protected the interests of users when free competition was inhibited.

But there is more to achieving a competitive market than just removing restrictions on the ability of airlines to do what they want, as recent events in the US show. On balance, US deregulation has been a success. The new environment better serves the interests of users. But there are faults. Deregulation initially produced a wave of new entrants, with lower costs and a more dynamic approach to the market. For a time it seemed that the traditional airlines would be forced to retrench and the industry would be characterised by a large number of fiercely competing companies.

In fact, the reverse has happened. The giant airlines which now dominate the industry, even more than before deregulation, have never managed to reduce their costs to the levels of the new carriers such as People Express or Air Florida. Yet it was the new entrants which, with one or two exceptions, failed to survive.

The major airlines achieved ever greater strength by the creation of hub-and-spoke route networks, the use of computer reservations systems, the introduction of frequent flyer programmes and other initiatives. The result has been a reduction in effective competition since the early days of deregulation and inevitably higher fares, particularly for those captive passengers who have to use routes served by one or two airlines following mergers or failures. The likelihood of a new airline entering the US market on a significant scale is now virtually nil.

What went wrong was that deregulation became confused with *laisser faire*. In an industry which is prone to concentration and local monopolies even in normal circumstances, it would be foolhardy to ignore the need for some basic regulatory safeguards, although these must be tailored for the occasion and applied in a rather different way than previously.

In Europe, we are both luckier and less fortunate than our US counterparts. We are luckier because we have their experience from which to learn. We are less fortunate because many of the problems which we share with the US, and which increase the risks associated with deregulation, are already worse in Europe than in the US.

Congestion is an obvious example. Freedom of entry is central to any truly competitive market. It is the new entrants which create the real marketing initiatives and keep the established airlines on their toes. Yet London's two principal airports are now virtually full, inevitably giving the established airlines a major advantage and increasing the problems faced by new ones trying to break in.

Europe also starts with individual airlines dominating their national markets, to which must now be added a clear trend towards cross-border links. Some of these links may raise important questions of principle for airline competition in Europe. The merger of two small carriers, or even in some circumstances a large airline with a small one, in order to compete more effectively with the major flag carriers is one thing. The acquisition of cross-shareholdings or far reaching co-operation agreements between already substantial carriers is quite another. They may well be the precursor to a growth of concentration such as we have seen in the US.

It is the long-term interests of users which must be the driving force in the negotiations that will take place in Brussels over the next few months. Of course unnecessary restrictions should be removed, and airlines freed as far as possible to provide air services as they see fit. But we should recognise that there are also dangers in leaving the user completely exposed to the full rigours of market forces where the market place is characterised by such formidable anti-competitive elements as exist in European civil aviation.

There are three chief problems:

● The shortages of air space, terminal and runway capacity which will continue for some years, however intense the efforts made to ease them.

● The vast networks acquired by certain airlines as a result of government ownership and past monopoly positions, that no newcomer can hope to rival.

● The privileged access to the best airports enjoyed by these airlines, such as BA at Heathrow.

Because of this inheritance from the past there is a real danger of the larger airlines forcing newer and smaller airlines into a client position. Indeed, in their desire to avoid the fate of their American opposite numbers, some of the smaller companies might prefer the relative safety and profitability of that position to the rigours of real competition, let alone price cutting.

In these circumstances, Europe must have regulators with the clout to ensure that newcomers cannot be marginalised or suffocated before they have had the chance to show their paces. For the sake of passengers, the regulators must also be able to ensure the adequate availability on all routes of a basic fare related to costs, particularly when a route is dominated by some massive enterprise resulting from the merger of previously competing concerns. So long as these safeguards exist, the airlines should be free to offer whatever combination of price and service they think the market demands.

The author is chairman of the UK's Civil Aviation Authority

LETTERS

Shares for small savers

From Mr G.D.R. Oldham.

Sir, Your editorial on water privatisation (September 15) developed into an interesting analysis of fiscal incentive and risk-spreading for investment.

The development of wider retail portfolio investment in shares — and unit trusts — is currently at a similar stage as home ownership in the 1950s. No one would question the role of mortgage-interest tax relief in encouraging the widespread development of home ownership, which has brought with it the expected link between responsibility and ownership.

This is often claimed as a central motive for encouraging share ownership. It also could be argued that readily-realisable investments provide a still greater economic liberation for individuals.

Given that tax perks have long been found acceptable for home ownership, why should it be "a strange system in which it is necessary to resort constantly to perks and tax privileges to make basic investments like shares and unit trusts saleable?"

On the matter of risk-spreading, I fully concur with your comments on the unbalanced nature of wider share ownership. A balanced approach is our central aim: we automatically include portfolio administration in our nominee-based service (covering all equities, gilts and unit/investment trusts), and low-cost portfolio-based advice is available.

One of the reasons why "multi-shareholding" is so difficult to achieve is the antiquated settlement system and, indeed, the current "stock-by-stock" nature of the registration system.

At the stockbroking level, a solution to this fundamental problem is approaching, with the introduction of Taurus, the computerised system for transfer and registration of shares. Other efforts are being made to address the problem at the "bulk share maintenance" (or registrar) level. I am optimistic that we will see the emergence of portfolio-based retail investment and advice services on a widely-accessible basis, enabling a proper spread of investment risk for the small savers you describe.

G.D.R. Oldham,
Barclayshare,
Iveco-Ford House,
Watford, Hertfordshire

Green grows the market

From Professor David Pearce and others.

Sir, Joe Rogaly's review of our book, Blueprint for a Green Economy (September 14), challenges us to produce an economics which contemplates global doom from ozone layer depletion, the greenhouse effect, and world population growth.

We are happy to accept the challenge, in the firm belief that the economic approaches outlined in our report will be as applicable to global issues as they are to cleaner rivers and beaches.

Because the externality is large — in the form of the negative effects of climatic change, for example — it does not follow that market-based incentives are inapplicable.

Indeed, we would argue that the incentives-based approaches offer the world the most cost-effective way of containing global problems. For example, marketable global CO2 permits could offer a feasible mechanism for an international "carbon convention," and effective international transfers ("side payment") may be the only way to control tropical deforestation.

All these measures will have to be tried within the constraints set by unavoidable events — we make no apology for not having solved the world's population problem.

We expect to start work soon on "Son of Blueprint," which we see as a direct response to the Rogaly challenge.

David Pearce,
Anil Markandya,
Edward Barbier,
London Environmental Economics Centre,
University College,
University of London

Members make a party

From Mr Alan Simpson.

Sir, Your leader describing Dr David Owen as "one whose perceptions of his own importance often appear to be in inverse proportion to the size of his party" (September 11) is unfair.

At the height of the merger controversy last July, Dr Owen spoke to a private gathering of SDP councillors held in the University of Nottingham. He made his position quite clear. If the SDP were to be destroyed, he would seek re-election in Plymouth as an independent MP. He had no intention of joining the merged party which, he forecast, would not be a success. The party could only be saved if members rallied round: the task was beyond his capabilities.

Dr. Owen's Nottingham speech was calm and courageous at a time when he may have been excused for feeling his political career was in ruins. From the outset he had advocated a measure of co-operation between the remaining SDP and the new Liberal Democrats, but these overtures have been repeatedly rejected.

Alan Simpson,
11 Royal Road,
Teddington, Middlesex

TECs include small firms

From Mr Brian Wolfson.

Sir, I refute strongly the claim made by Charles Batchelor, in his article on Training and Enterprise Councils (TECs, September 12).

He suggests that a report by Peat Marwick McLintock contains a warning that TECs are "in danger of being hijacked by large companies." I have read the report and find it difficult to see how your reporter has reached such a conclusion. Nor would that conclusion accord with the facts.

The facts are that, in looking at proposals from groups of employers to form TECs, my colleagues on the National Training Task Force and I take very careful note of the evidence of commitment and involvement of small firms. We would not recommend any bid to the Secretary of State for Employment unless we were satisfied that such commitment and involvement had been secured.

Small firms will feature prominently on each and every TEC board, and we shall continue to promote the great importance of encouraging small firms to play a full part in the revolution in training and enterprise being spearheaded by TECs.

Brian G. Wolfson,
National Training Task Force,
236 Gray's Inn Road, WC1

Administration in the UK

From Mr Ipe Jacob.

Sir, I have to agree with Richard Bethell-Jones (September 14) that the administration procedure in the UK is tending to be used as a substitute for liquidation or receivership, and not fulfilling the high hopes expressed in the Cork Report.

It is true that to implement a restructuring, if not devise it, the active participation of existing management should help rather than hinder, and that — unlike the US "Chapter 11" process — an administrator takes over control from the directors.

But another significant difference from the Chapter 11 process has been recently highlighted in a case where I am joint administrator.

The court decided that the appointment of administrators was of itself irrelevant in considering whether to grant injunctive relief to a distributor following purported termination by the company of a distribution agreement.

In this respect, at least, administrators are worse off than receivers, who can (generally) refuse to perform unprofitable contracts, leaving third parties with only claims in damages as a remedy.

Just how much legislation should affect, if at all, the rights of parties to contract freely with each other is a difficult issue of public policy. It has been addressed before, and in the matter of administration procedures there is room to address it again.

As an accountant, I would welcome the prospect of lawyers who are also licensed insolvency practitioners taking appointments as administrators — and as receivers and liquidators where appropriate. (Indeed, my joint administrator is a solicitor.) Not only would it bring complementary skills; it would also give lawyers the opportunity to work alongside those who, historically, have taken the commercial decisions.

But in one respect I would not wish the UK to follow US experience. A proliferation of advisers, advising a proliferation of different classes of interest, would only slow down a rescue process, and risk drowning a rescue plan in a sea of professional costs.

Ipe Jacob,
Robson Rhodes,
186 City Road, EC1

FINANCIAL TIMES
Wednesday September 20 1989

US lifts demand for ban on mobile nuclear missiles

By Lionel Barber in Washington

THE US yesterday announced it would lift its demand for a ban on mobile nuclear missiles in order to spur the strategic arms reduction talks with the Soviet Union.

Mr James Baker, US Secretary of State, also said the Nato alliance had reached agreement on measures to verify compliance with a new treaty on cutting conventional arms and these would be presented tomorrow in Vienna.

The twin announcements came on the eve of the arrival in Washington of Mr Eduard Shevardnadze, the Soviet Foreign Minister, who will be carrying a personal letter from President Gorbachev. The moves appeared aimed at pre-empting a possible Soviet arms control demarche, but also in meeting Congressional criticism that the Bush Administration is reacting timidly towards reforms in the Soviet Union and Eastern Europe.

Mr Baker said he looked forward to progress on a range of arms control, human rights and regional issues in his talks with Mr Shevardnadze, who is due to meet President Bush in the Oval Office tomorrow.

Mr Baker, giving his first press conference at the US State Department since he took office, told reporters he expected the Strategic Arms Reduction Talks (Start) to feature largely in the letter Mr Shevardnadze is due to bring to Washington.

He said the US would have preferred to have been forewarned of the letter's contents, "but to start the ball rolling, I am announcing that we will lift our ban on mobile ICBMs (intercontinental ballistic missiles) contingent upon Congressional funding."

He said Start negotiators in Geneva would be told to work out appropriate details of limits to be applied and verification.

Though the US initiative seemed designed to steal the initiative, some experts have argued that the Bush Administration would, at some stage, be forced to drop its ban on mobile missiles if it proceeds with proposals to make its own multi-warhead MX arsenal mobile.

Mr Baker said there was a "reasonable shot" of reaching an agreement with the Soviets on exchanging information on chemical weapons stocks.

He said the US would also make proposals year aimed at breaking the 15-year deadlock on two nuclear testing treaties for Senate ratification next year.

Tokyo braces for Thatcher gale warning

By Philip Stephens in Tokyo

"SWIFT to attack," declared the motto on the RAF flight plan charting Mrs Margaret Thatcher's progress to Tokyo. The British Prime Minister seems determined to live up to it.

As Tokyo braces itself for the 22nd typhoon of the current season, Mrs Thatcher is warming up to deliver her own rather special gale warning.

The pomp and splendour, the sea of white uniforms and that oddly Japanese mixture of scrupulous politeness and horrendous security gave only a hint of the impending clouds.

However, Mr Toshiki Kaifu, the Japanese Prime Minister, will have to take time off today to listen to a well-rehearsed lecture on free trade.

Perhaps, more accurately, Mrs Thatcher will want to explain in her traditionally soothing way why Japan should start buying more of the remaining products from Britain which are not yet made in Japanese-owned factories.

In case the message does not filter through the country's notoriously complicated distribution system, Mrs Thatcher will repeat it at length at a lunchtime gathering of the country's business leaders.

Mr Kaifu, like his predecessors, can count on a stern ticking-off over Japan's refusal to allow two more British investment companies to join their rivals in losing vast amounts of money on the Tokyo Stock Exchange.

Yesterday, though, Mrs Thatcher was in mellow mood. It was a day to confirm her Damascene conversion to the role of "earth mother" by talking earnestly to Japanese scientists about global warming and the hole in the ozone layer.

It was also one for entertaining at dinner two former prime ministers who still wield quite a lot of power in Japan – Mr Yasuhiro Nakasone and Mr Noboru Takeshita – and another, Mr Sousuke Uno, who briefly preceded Mr Kaifu in office.

Earlier, as she addressed Tokyo's expatriate community at a polite scrummage of a cocktail party for 900 or so, she could reflect modestly that her 10 years in office – nine years and 11 months more than Mr Kaifu – still left her "really quite junior." After all, the longest-serving British prime minister had held the job for 22 years: "So you see, I live in hope."

Mrs Thatcher, meanwhile, had taken with her to Tokyo another glimpse of glasnost – in the form of two Soviet air force officers who joined her RAF VC-10 airliner at its re-fuelling stop in Moscow.

The only people even slightly discomforted were the signals personnel from GCHQ. They operate the secret, coded communication links, which explains why Mrs Thatcher is convinced that she really does not need to leave anyone else in charge when she is abroad.

In reality, there was little to fear. The equipment is reminiscent, as one passenger put it, of the crystal sets the RAF used to parachute into occupied France during the last war. The KGB probably broke the code when Khruschev was still in power.

Mrs Thatcher arriving in Tokyo yesterday

US insists that Japan cuts steel exports

By Robert Thomson in Tokyo

US TRADE officials yesterday demanded a sharp cut in Japan's steel exports to the US under the voluntary restraint agreement (VRA) due to take effect from the end of this month. This followed two days of negotiations in Tokyo at the Japanese Ministry of International Trade and Industry (Miti).

A Miti official said Japan wanted to maintain its present voluntary restraint quota, equal to 5.8 per cent of US domestic steel consumption, but US trade delegation members have demanded a much lower figure - approximately 3 per cent, according to Japanese press reports.

Officials from both sides had hoped to conclude an agreement during this round of talks, but the Miti official said that US representatives had insisted on a significant reduction in the figure, so "it was not the kind of discussion in which it is easy to reach a conclusion."

The US has decided to extend a 1984 pact under which voluntary limits were set on exports by steel-producing countries to the US to assist the local industry. Trade officials in Washington have said that they want to reward countries that do not subsidise the their steel industry, and those countries are expected to receive a higher allotment under the new system.

The first day of negotiations apparently focused on a US proposal for an international agreement on the abolition of export subsidies for, and trade barriers to steel.

The Miti official said that Japan had supported the proposal, but could not agree with US assessments of demand for Japanese steel products. "The US side does not expect higher dmeand. The Japanese side expects higher demands for certain items."

Last year, Japan's steel exports to the US were some 4.2 per cent of domestic consumption, and Japanese producers argued that uncertainty about stable demand had resulted in an export figure well below the voluntary restraint limit.

THE LEX COLUMN

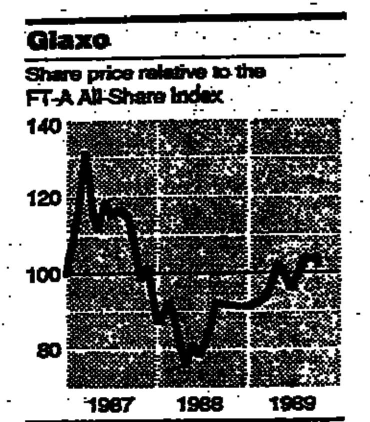
Glaxo's medicine takes its time

It is hard to sympathise with the market in pushing Glaxo's shares down 4 per cent yesterday. Granted, the full year figures showed more pressure on margins than expected, and a mere 9 per cent rise in trading profits before currency adjustment looks a little alarming. But given the colossal scale of Glaxo's expenditure on research and marketing, much of this is discretionary; it is also quite in line with the long-term game plan; and Glaxo is nothing if not a long-term investment.

That said, there are signs that under the new managing director horizons are becoming just slightly shorter. Over the next five years, the projections are clear enough: sales roughly doubling in real terms, with a third of that coming from Zantac, a third from other drugs already on the market and a third from new products. It also seems that while the £1.3bn cash mountain may stand still for the next couple of years, it will resume its rapid rise thereafter.

The new element is the suggestion that the two pillars of Glaxo's faith – its pure reliance on prescription drugs and its refusal to contemplate merger – are conditional on it remaining productive in research terms. By 1992/3, the group will know whether it has a further generation of new products to follow those due on the market in the next two years. If not, merger in particular looks on the cards.

But that would be an explicit admission of defeat, and there is no sign of that yet. In the meantime, though the shares may well prove dull for a while, Glaxo remains the highest-quality cash machine on the London market.



Ford/Jaguar

Jaguar is not blessed with abundant resources and Ford is not blessed with abundant brands, so a tie-up between the two has a certain logic. But the deal is unlikely to proceed as smoothly as a ride in an XJ-S. Ford will hardly be happy with anything less than a majority stake and Sir John Egan has made it quite clear he wants Jaguar to remain independent; indeed,yesterday's announcement appeared to come as a nasty shock. And despite the increasing competition in the market for luxury cars, Ford's move could well provoke GM into following suit – or indeed prompt European car manufacturers, which do not need to make filings to the SEC, to dust off their chequebooks. That would really send the share price, which gained 15 per cent yesterday, into the stratosphere.

When the golden share expires at the end of 1990, the government will find it difficult to block a takeover by such stalwart employers of British labour as Ford or Peugeot, although bidders would be wise to make their move before the next general election. Jaguar's only hope for independence is to turn in fantastic results in 1990 and then tie up a deal with a friendly manufacturer willing to take a 25 per cent stake in return for involvement in some kind of joint venture. That is the biggest risk for speculators in the shares, who are nevertheless likely to have a high old time of it over the next few weeks.

Ferranti

In one sense, Ferranti's latest statements about the need for a cash injection look slightly odd. The problem seems one not of cash outflow, either past or present, but of past non-existent profits which must be written off shareholders' funds. That may involve the breach of banking convenants, but that is awkward rather than crucial; otherwise, it is not obvious why a bookkeeping item should plunge the group into crisis.

Part of the answer may relate to phantom profits not just on the balance sheet but on the p and 1 account. Ferranti's own business has been subject to heavy cash outflows of late – on telepoint, the EFA and the lost frigate contract – against which it may have counted on further inflows from the contracts whose existence is now in doubt. This is not to suggest that the group is insolvent as it stands. Rather, as the latest news from the EFA consortium suggests, Ferranti may have serious difficulty in securing major long-term defence contracts with its balance sheet in such a stretched condition.

The company's preferred option would doubtless be a whip-round among the institutions, but that seems scarcely feasible. The best outcome for beleaguered shareholders would be an outright takeover, the quicker the better. The snag is that a buyer would need not only to square things with the UK Ministry of Defence and the Pentagon; it would also have to satisfy itself that it had a clearer picture of the rest of ISC's murky dealings than Ferranti did.

Tarmac

Talk to Tarmac, and at first you might think the downturn in UK housebuilding and home renovation was a mere figment of the stock market's fevered imagination. From the meagre data the UK's largest construction-based company saw fit to publish yesterday, it is hard to make more than a stab at what housebuilding contributed to the 23 per cent rise in interim pre-tax profits to £154m. Not much of that increase, though, can have come from 1988's acquisition of Ruberoid, given the higher interest charges it produced: so one is left with quarry products and housebuilding as the prime engines of growth.

This is doubtless a tribute to tight management and shrewd product pricing in Tarmac's housing division; but making the figures look as good for the next half-year, and for 1990, is going to be much harder. The nearest approach Tarmac would make to a forecast yesterday was its vague intimation that for 1989 as a whole completed housing sales could be anything between 5 per cent less, to 5 per cent more, than in 1988.

Given that UK house prices are still 14 per cent ahead of where they were 12 months ago, even the worse of those two outturns would be less troubling than it looks. But the suggestion is of at best fairly flat housebuilding profits for the year: an outlook reflected by the rating of the shares on a prospective multiple of about 8 times full year earnings, given last night's closing share price of 289p.

Lawson says level of dollar is tolerable

By Peter Norman, Economics Correspondent, in London

MR Nigel Lawson, Britain's Chancellor of the Exchequer, yesterday indicated that the current high level of the dollar should present no problems for the world's leading industrial countries, although he warned that the Group of Seven was concerned that it could become too strong.

He said that said the dollar was "at a tolerable level," having fallen back after last Friday's surge above DM2.

In London last night, it closed slightly easier at DM1.9510 with the pound at $1.5730 compared with DM1.9530 and $1.5700 respectively on Monday. But that was still well above the DM1.900 level generally accepted as its upper limit under the February 1987 Louvre accord to stabilise currencies.

Mr Lawson, talking to journalists ahead of Saturday's meeting in Washington of G7 finance ministers and central bank governors and next week's annual meetings of the International Monetary Fund and World Bank, said the G7 was not so much concerned about the volatility of exchange markets, despite the dollar's 7 pfennig drop against the D-Mark last Friday.

Instead, the world's leading industrial countries were worried about a rerun of the early 1980s when the dollar went up "into the stratosphere" in a way that could not be sustained.

Mr Lawson said the G7 had not yet decided whether to issue a communiqué after its meeting, which he hoped would give more emphasis than before to discussion of the structural reforms needed in the big industrial countries.

In a wide-ranging discussion, Mr Lawson also said that Britain was willing to reschedule a limited amount of official Polish debt falling due this year and in the early part of 1990 in advance of an IMF programme to restructure the Polish economy.

Elsewhere, he suggested that inflation, worldwide, appeared to have peaked although getting inflation down remained the primary obligation of the large industrial countries.

He also predicted that the Washington meetings would be unlikely to agree on an increase in IMF quotas or subscription rights because the US would not be in a position to take a decision on the issue. Without agreement on an overall quota increase, there could be no discussion of Japan's wish to move up from fifth in the IMF pecking order and displace Britain as the second-largest member of the Fund.

Mr Lawson said Britain was in favour of a modest increase of up to 25 per cent in IMF quotas from their present level of SDR90bn ($110.9bn). He said the demand of Mr Michel Camdessus, IMF managing director, for a doubling of quotas was "enormously ambitious" and that it was difficult to make a case for such a rise.

Mr Lawson said he thought world interest rates might be moving downwards and he did not expect US rates would rise. He said developments in eastern Europe would be a talking point at the IMF and World Bank meetings.

IMF resources, Page 6; Whispered hope for a golden age, Page 25

Ferranti tries to avoid collapse

Continued from Page 1

the company's divisions or bring in industrial partners as shareholders.

Ferranti Defence Systems, responsible for the group's avionics business, and Ferranti Computer Systems, which makes computers and sonar equipment, were mentionedas possible candidates for sale.

The company is looking primarily to continental European companies as potential industrial partners. Alliances with British groups have not been ruled out but executives said that Thomson of France was not among the front-runners

● Lionel Barber adds from Washington: General Alexander Haig, former US Secretary of State, White House chief of staff, and Nato commander in Europe. was a consultant to ISC from February 1985 through March 1987, according to a filing required under Federal election law

UK Channel Tunnel link will not be viable, says BR chief

By Kevin Brown, Transport Correspondent, in London

FINANCING problems of the proposed Channel Tunnel link through southern England deepened yesterday as British Rail told the UK Government that the line would not be viable, even at the relatively low rate of return required for public sector projects.

The BR view was given to Mr Cecil Parkinson, the Transport Secretary, by a team of executives led by Sir Robert Reid, the chairman. The Transport Department refused to discuss Mr Parkinson's response.

Sir Robert, due to retire in March, earlier won the support of the BR board and senior executives for his view that the line would not provide the real rate of return of 8 per cent required by Treasury rules.

This compares with a required real rate of return of 12-15 per cent if the line were to be built as a private sector project, as the Government would prefer.

BR is still talking to private sector consortia led by Trafalgar House and Peninsular and Oriental Steam Navigation (P&O), but neither is believed to be willing to go ahead without substantial state support.

The proposed line would provide a dedicated high-speed link between London and the Channel Tunnel portal in Kent.

The project is in trouble because environmental improvements included at the request of the Government have increased the cost from £1.2bn ($1.8bn) to at least £3bn before allowing for inflation and interest payments.

The projected price of a single ticket from London to Paris would therefore have to be raised by about £20 to £55, making the line uncompetitive with airline travel.

BR believes the higher fares would seriously affect the forecast level of passenger traffic through the tunnel, which many executives have long regarded as optimistic.

There are also fears that the difficulties of servicing the debt associated with the project could imperil the improving financial performance of BR's mainstream activities.

Sir Robert's scepticism accords with BR's original view that the line could not be operated profitably until up to 10 years after the Channel Tunnel opens in 1993.

Failure to agree Airbus report

Continued from Page 1

Friday to French and German ministers who are expected to communicate its conclusions to President Mitterrand and Mr Kohl shortly.

The official view in Paris is that the matter is unlikely to be discussed by the two leaders at their next regular bilateral meeting and should simply be delegated to Airbus consortium management.

However, West Germany seems certain to resist any French attempt to bury the issue. It is expected in Bonn that Mr Kohl will continue to press Mr Mitterrand to accede to his Government's demands.

The report's authors agree that moving A320 assembly to Hamburg would cut costs by eliminating unnecessary transport costs and production delays. At present, all Airbuses are flown from Toulouse to be fitted out in Hamburg and then back to Toulouse for delivery.

However, Mr Kracow estimates the annual savings at $80m, while a more detailed cost breakdown by Mr Bénichou puts them at only $9m.

Against that, an assembly line in Hamburg would cost $200m-$300m to build and would need time to achieve levels of efficiency comparable to those in Toulouse. Mr Bénichou says these costs would take 20-30 years to amortise, compared with Mr Krackow's estimate of only four to five.

Airbus' two other shareholders are British Aerospace, with 20 per cent, and Spain's Casa, with 4.2 per cent. Neither the companies nor their respective governments was involved in preparing the report.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	27	81	Malta	F	27	81	Rhodes	S	26	79
Algiers	S	29	84	Edinburgh	F	14	57	Manchester	F	18	61	Rio de J'o	C	23	73
Amsterdam	R	16	61	Faro	S	26	79	Manila	C	32	90	Rome	S	26	79
Athens	S	29	84	Florence	S	27	81	Melbourne	F	14	57	Salzburg	S	28	82
Bahrain	S	34	93	Frankfurt	R	25	77	Mexico City	C	20	68	San Francisco	F	11	52
Bangkok	C	33	91	Funchal	C	23	73	Miami	C	24	75	Seoul	S	23	73
Barcelona	S	26	79	Geneva	R	19	66	Milan	S	24	75	Singapore	C	23	73
Beirut		–	–	Gibraltar	F	23	73	Montreal	F	13	55	Stockholm	S	19	66
Belfast	C	14	57	Glasgow	F	15	59	Moscow	F	14	57	Strasbourg	C	25	77
Belgrade	S	28	82	Guernsey	S	18	64	Munich	S	27	81	Sydney	F	22	72
Berlin	S	28	82	Helsinki	S	16	61	Nairobi		–	–	Taipei	R	30	86
Biarritz	C	17	63	H. Kong	C	30	86	Naples	S	30	86	Tangier	F	25	77
Bombay	F	30	86	Innsbruck	S	26	79	Nassau	C	29	84	Tel Aviv	S	36	97
Bordeaux	C	22	72	Inverness	F	12	54	New Delhi		–	–	Tenerife	C	26	79
Brussels	F	18	64	Islamabad	F	36	97	New York	R	17	63	Tokyo	R	27	81
Budapest	S	26	79	Istanbul	S	25	77	Nice	C	23	73	Toronto	S	11	52
B. Aires	-	-	-	Jakarta	C	33	91	Nicosia	-	-	-	Tunis	S	30	86
Cairo	S	32	90	Jersey	S	19	66	Oporto	S	19	66	Valencia	F	26	79
Cape Town	C	15	59	Jo'burg	S	18	64	Oslo	C	16	61	Venice	S	24	75
Caracas	C	28	82	Lima	C	18	64	Paris	F	17	63	Vienna	S	26	79
Casablanca	F	23	73	Lisbon	S	22	72	Peking	S	20	68	Warsaw	S	27	81
Chicago	S	12	54	London	F	20	68	Prague	F	19	66	Washington	R	17	63
Cologne	C	17	63	Los Angeles	R	14	67	Reykjavik	S	9	48	Zurich	S	23	73
Copenhagen	S	20	68	Luxembourg	C	18	64								
Corfu	S	30	86	Madrid	R	22	72								
Dallas		–	–	Majorca	F	29	84								
Dublin	F	16	61	Malaga	F	25	77								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

New Soviet constitution

Continued from Page 1

Surprisingly, Mr Gorbachev called on the church to play a "pacifying role in ethnic relations" – and appealed to the now openly warring republics of Armenia and Azerbaijan to cease their hostilities.

In particular he called for an end to the economic blockade which Azerbaijan has mounted against the neighbouring and vulnerable Armenia, which is now causing acute shortages of almost all commodities.

Tension continues to run high in several regions, and two members of the security forces were killed in the disputed territory of Nagorno-Karabakh, populated mainly by Armenians but under the jurisdiction of Azerbaijan.

The latest deaths occurred during a gun battle outside Agdam where Interior Ministry troops were sent to disperse a crowd.

More than 100 have died in 18 months of turmoil over Nagorno-Karabakh. It has been under direct control from Moscow since January.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday September 20 1989

INSIDE

Catches in the rye

It was ironic that the demise of Hydrodan (Corby), a company that produced grass-growing machines, led to a warrant being issued for the arrest of Mr John Ferriday, Eagle Trust's former chairman and chief executive, last week. Hydrodan was one of the growth companies that the brash Mr Ferriday trumpeted when Eagle Trust was formed via a three-way merger in March 1987, and its fall neatly illustrates his business methods – such as frequent name changes, overseas holding companies and uncertainty over ownership. Page 42

Coffee producers in hot water

The international coffee agreement that sets prices collapsed in July, and coffee prices have virtually halved over the past year. This may be good news for consumers, but is little short of a disaster for the producers in Central America. With coffee production the area's key wealth creator, and the biggest generator of foreign exchange, the producers, exporters, politicians and bankers alike are waiting with bated breath to see what happens when the 1989/90 harvest is marketed. Page 46

Japanese bank on the US

Hot on the heels of Daiwa Bank's announcement that it was to buy the US operations of Lloyds of the UK, comes a proposed $1.4bn US banking acquisition by Japan's largest commercial bank, Dai-Ichi Kangyo. The purchase of 60 per cent of CIT Group, a subsidiary of troubled Chicago-based bank Manufacturers Hanover, seems to signal a resurgence of interest among Japanese finance houses in buying US companies. Page 28

Lockheed builds up interests

Lockheed, the US aerospace group, is emerging as one of the British Airports Authority's major competitors for the growing international business of new airport construction and development. The company is involved in the $70m development programme for the new Birmingham airport, due to open in 1991; it is looking at investment options at Luton airport; and it is in the final stages of negotiations with Turkey for the expansion of Istanbul airport. Mr Vincent Marafino, vice chairman and chief financial officer, says that Lockheed regards "airport privatisation as a growth business and a good opportunity." Page 29

Tokyo looks to little fish

The big and the famous are no longer receiving all the attention in the Tokyo stock market. Political upheaval and the weaker yen have made investors pull back from big companies and search instead for smaller, less familiar stocks with good earnings records. As a result, the second section index has hit records, and turnover in second-line stocks has more than doubled since April while volume in the first section has almost halved. Page 58

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Fives-Lil	462	+	23.1
Rises				Imetal	363	+	16.8
Commerzbank	251	+	3.7	Metaleurop	255.8	+	8.4
Karstadt	658.2	+	19.2	Paris Res	489	+	15.4
Nixdorf	363	+	7	**Falls**			
Thyssen	246	+	4.7	BNP	425	–	14.7
Viag	340	+	12.2	**TOKYO (Yen)**			
Falls				**Rises**			
Feldmuehle	484	–	2.5	Chinon Inds.	1090	+	90
NEW YORK ($)				Kasumi	1980	+	250
Rises				Nikko	1950	+	150
Dayton Hudson	61⅞	+	1⅜	**Falls**			
Dillard Dept	73¼	+	¾	Jidosha Denki	1850	–	130
Man Hanover	44	+	2¼	Nihon Matai	1020	–	110
UAL	283⅞	+	2½	Sansui Elect	961	–	69
Falls							
Varian Assoc	25¾	–	1¼				
PARIS (FFr)							
Rises							
Elect.Serge	588	+	18.8				

LONDON (Pence)				Cable & Wire	564	–	11
Rises				Canning (W)	288	–	13
Chilington	164	+	5	Dalgety	400	–	7
Finlay (J)	135	+	6	GEC	248	–	5½
Hunter Saphir	171	+	4	Glaxo	1525	–	61
Jaguar	467	+	62	Gen Acc	1083	–	15
Lucas	661	+	8	Goldberg (A)	1193	–	12
Matthews (B)	78	+	4	Racal Elect	221	–	7
Merivale Moore	523	+	8	Reiners	276	–	4
Polypipe	139	+	8	Regalian	90	–	5
RHM	455	+	5	Western Mtrs	783	–	55
Tarmac	289	+	7				
Wardle Storeys	314	+	8				
Falls							

Bond in A$2.5bn brewing disposal

By Chris Sherwell in Sydney

MR. ALAN BOND, the beleaguered Perth businessman, yesterday announced the A$2.5bn (US$1.95bn) sale of his Australian brewing interests – covering the Toohey's, XXXX and Swan brands – and a joint venture with Lion Nathan of New Zealand, the brewer of Steinlager.

The deal revamps a stalled A$3.5bn restructuring plan announced in May, and should end intense speculation about Mr Bond's brewing interests. These amount to the fifth largest in the world and are currently held by his debt-burdened Bond Corporation flagship.

But it will also reduce the group's most important source of cash flow, and is unlikely to relieve the pressure to sell other assets. Last week Mr Bond sold his stake in Lonrho, the international trading conglomerate, and on Monday he disposed of his interests in the Harriet oil field.

Mr Douglas Myers, chief executive of Lion Nathan, said he was "very excited" to be involved with Mr Bond's Australian brands, and "more than satisfied" that the entry cost was well within his group's financial capacity.

Under the terms of the complex deal:

- Bell Resources, the 58 per cent-owned subsidiary of Bond Corporation, will purchase Bond Corporation's Australian brewing interests for A$2.5bn. The purchase will be made through a subsidiary which has A$1.4bn of debt and A$1.1bn of equity.
- Bond Corporation will make a takeover offer of A$1.60 per share for the minorities in Bell Resources. Mr John Spalvins, head of Adelaide Steamship, holds almost 20 per cent.
- Lion Nathan will acquire a 50 per cent interest and management responsibility for the Bell Resources subsidiary, which will become Australian Breweries. The consideration will reflect Bell Resources' cost price but adjusted for its assets and liabilities at completion.

Other key features include:

- Bond Corporation will return to Bell Resources A$850m of a A$1.2bn "deposit" Bell made to Bond on the original A$3.5bn deal to purchase all Bond's brewing assets. That plan, had it gone ahead, would have included Bond's troubled Heileman brewery in the US. Yesterday's statement said completion of the Heileman purchase by Bell Resources had now been deferred for 12 months.
- The Bell Resources subsidiary will make an offer for Bell Resources' US dollar and Swiss franc convertible bonds and certain Bond Brewing subordinated debentures. Lion Nathan is to help finance both this and Bond's A$1.60 takeover offer for the Bell Resources minorities.

That offer compares with a closing price yesterday for Bell Resources shares of A$1.28, up 8 cents. Bond Corporation shares lost ground on the announcement, dipping 2 cents to 40 Australian cents.

Background and Lion Nathan profile, Page 31

Glaxo year profits pass the £1bn mark

By Vanessa Houlder in London

GLAXO Holdings, the UK pharmaceutical group, yesterday announced that it has cleared the £1bn ($1.56bn) profits barrier for the first time, and said it had no intention of taking part in the merger activity currently reshaping the industry.

In the year to the end of June, pre-tax profits increased 21 per cent from £832m to £1.01bn. Turnover increased by 25 per cent to £2.57bn (£2.06bn).

Although the results were in line with analysts' forecasts, the share price fell 61p to 1525p in response to profit-taking and a greater than expected rise in research and development spending.

Sales of Zantac, the anti-ulcer drug which is the world's biggest selling medicine, increased by 31 per cent to £1.29bn. The company said its performance gave it renewed confidence in the further potential of this drug.

Sir Paul Girolami, chairman, made it clear that Glaxo would not follow the example of other large drugs groups which have recently announced mergers. "Our plate is very full with our existing portfolio and developing compounds," he said.

Sir Paul said that the first of the registration applications for its anti-emetic drug Ondansetron was made in April and that it expected to submit applications for four more products this financial year.

Mr Ernest Mario, group chief executive, claimed that Glaxo had been the fastest growing major pharmaceutical company for the seventh year running. All major therapeutic categories had outpaced their market segments, he said.

Apart from Zantac, the main products are respiratory drugs and systemic antibiotics, which increased sales by 28 per cent to £585m and by 32 per cent to £398m respectively.

The rising costs of research and development and increased selling costs resulted in a decline in trading margins from 37.1 per cent to 34.1 per cent.

Selling costs increased by £150m as Glaxo built up its sales forces in anticipation of new products.

R&D spending rose by 40 per cent from £230m to £323m, and it is expected to increase this year to around £440m.

This figure exceeded the company's original forecast of £300m since the weakness of sterling against the dollar coincided with a larger proportion of R&D spending in the US.

Overall, however, currency fluctuations were favourable to the group. If exchange rates had remained constant at last year's rates, trading profit would have been £45m lower at £831m.

The results also benefited from an increase in investment income from £88m to £130m. At the year end, Glaxo had cash and investments of £1.3bn, an increase of £122m during the year. Capital spending increased by about £100m to £378m and is expected to increase further to £500m this year. About 40 per cent of this spending was devoted to R&D facilities.

Earnings per share increased from 77.1p to 92.4p. A final dividend of 25p was declared, making a total of 35p per share, up from 25p last year. There is also a one-for-one scrip issue.

Lex, Page 26

Sir Derek Alun-Jones: management was misled by the International Signal order book

The takeover maze that trapped Ferranti

Terry Dodsworth and **David Waller** explain how the UK defence group's acquisition of ISC went wrong

At one point in the last eighteen months, a senior financial executive at Ferranti International Signal sat down opposite an apparently equally senior Pakistani general.

They discussed a missile contract which Ferranti was supposed to have inherited with its takeover of International Signal and Control, the US-based defence group. Today, Ferranti is desperately trying to find out what that contract amounted to – whether it ever really existed as more than a paper agreement, who was behind it, and whether the company will receive any more money from it.

The putative deal in Pakistan, said to involve a substantial missile project, is one example of the way in which management in the UK company appears to have been misled about the International Signal order book.

Today, in the wake of the crisis which has hit the company after payments on this deal and two others has ceased, Ferranti believes it may have been dealing with a "phantom" contract. But at the time of the ISC takeover, there appeared to be legitimate customers willing to pay handsomely for ISC's services; and those customers were certainly handing over some progress payments, albeit with the odd hitch.

Nevertheless, Ferranti's investors are now asking how the company was taken in at the time of the takeover. It is conventional practice for a company to perform a "due diligence" exercise into the affairs of a target company when it is making an acquisition. However, Ferranti's experience illustrates a fundamental irony of corporate finance – that the larger the target company, the less the information available to the buyer.

Stock Exchange rules require that when a publicly quoted company buys a private company of above a given size, shareholders in the acquirer must have the benefit of a full accountants' report into the target. The report – which among other requirements must contain five year's audited profits – takes a lot of work, during the course of which "nasties" could be expected to come to light.

No similar rules apply when one quoted company buys another, as happened in the case of Ferranti and ISC. From the Stock Exchange's point of view, the fact that a company has met its onerous listing requirements is deemed enough and all that must be shown is information from the target company's last published accounts.

The two companies are free to ask for and exchange as much information as they like. In practice, the Takeover Code tends to reduce the free flow of data in that it requires that information made available to one would-be buyer should be made available to all potential buyers. Companies sensitive to the threat of a hostile takeover may thus be reluctant to give information to even a friendly suitor.

"Past, audited accounts will tend to be taken as gospel," observed one merchant banker yesterday. "The focus for debate between the two parties will be the current year's performance. Accountants may be let loose on the projections and assumptions underlying a set of management figures – but they will not be able to get to work on scrutinising the company in any detail until the deal has been consummated."

The next question is why – having had the misfortune to complete the deal – it took Ferranti so long to identify any problems at ISC. The answer would seem to lie in the nature of the defence contracting business.

ISC operated as a project co-ordinator for the installation of defence systems for a small number of clients – it did not sell widgets. Typically a contract would last for a number of years and be "worth" tens, if not hundreds, of millions of dollars. Under the rules governing project accounting, the recognition of profits on such a contract would be more a judgmental matter than a straightforward recognition of the sale of a machine or a widget.

At the end of each year, the management would have to assess the extent to which the work done on the project to date was on schedule and performed to the satisfaction of clients. To take a simple example: after a satisfactory year's work on a five-year contract, it would be conventional to take one fifth of the estimated total profit on the deal – even if the costs incurred were substantially higher than that profit figure and the client had not paid a penny.

The auditor's job would be to assess how reasonable the profit allocation was. The decision would be based in part on judgment, in part on objective tests designed to match up internal records with documents from a third party. In the case of ISC, third-party verification would be difficult to obtain given the sensitivity surrounding the customers.

Furthermore, ISC supposedly derived its enviably high margins from its expertise in project management – sourcing from a number of different suppliers. The auditor would be able to verify the expenditure – but not the added value that ISC was supposed to bring to the party.

Under the circumstances, the auditors would rely heavily on the word of management. If some managers were working hand-in-hand with one of the sources of third-party information as to the status of a project, it is easy to see how auditors – and Ferranti – could be kept in the dark.

Nevertheless, investors are asking why Ferranti's own management team did not spot the problems more quickly - after all, Ferranti is supposed to understand the defence electronics business, and was planning to integrate its operations with those of ISC.

The answer seems to be that to a large degree the two companies have continued to operate in tandem rather than being fully integrated. A substantial part of ISC's US operations, for example, are in "black" areas - the most highly-sensitive top-secret defence contracts. Ferranti's links with this operation were through a proxy board of US citizens set up specially to act as a security buffer between the US company and its UK parent.

The other block of ISC business – the infamous overseas contracts – was evidently even more difficult to control. Ferranti has brought part of these operations physically together with some of its own businesses, to create Ferranti International Dynamics in missile design and manufacturing. But it is unclear how far executives were allowed to penetrate the ISC activities, or what degree of integration there was in the operations.

In addition, ISC Technologies Ltd, the part of the group which booked the dubious orders, was not brought into the Ferranti International Dynamics organisation until this summer.

Britain steps up action in row with Tokyo SE

THE BRITISH Government has extended retaliation against Japanese investment banks operating in London to step up pressure on the Tokyo Stock Exchange to admit two UK companies, writes Phillip Stephens in Tokyo.

Prime Minister Margaret Thatcher will voice her frustration at a meeting today with Mr Toshiki Kaifu at the Japanese delay in granting admission of Barclays de Zoete Wedd and James Capel to the Tokyo market.

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Campeau secures loan of $250m

By David Owen in Toronto

CAMPEAU, the embattled Canadian retailing and property group, yesterday secured a desperately-needed US$250m loan that will cost its founder, Mr Robert Campeau, control of the company.

The loan – from the Reichmann brothers' Olympia & York Developments (O&Y) – should ease Campeau's short-term liquidity problems and enable it to remain in operation while it undertakes a restructuring programme.

A proposed refinancing appears to have serious implications for the holders of junk bonds issued by Campeau's Allied Stores and Federated Department Store units.

O&Y is to try to arrange $800m in bridge financing for Campeau, conditional on both the sale of the Bloomingdale's department store division and the repurchase of 75 per cent of the principal amount of Allied and Federated preferred stock, notes and debentures.

However, the offer price for the paper will not exceed indicated prices on September 15 – effectively inviting most bondholders to swallow a chastening discount.

Under the terms of the secured loan agreement, O&Y will receive warrants entitling it to purchase up to 15.6m Campeau shares at a price of US$16 per unit. This compares with a market price of C$13¾ (US$11⅝) when the stock was last traded. The warrants are exercisable at any time over the next two years.

This will take O&Y's fully diluted stake in Campeau to 38.4 per cent, against 43.2 per cent for the Campeau family. In all, 84.2m shares will be outstanding.

The Reichmanns will further tighten their grip on the company via a newly-constituted board of 10 directors. There will be three nominees from each of the Campeau group and O&Y, and four minority shareholder representatives, including Mr Conrad Black, the newspaper proprietor.

O&Y's quota on the previous board was just two of 20 directors.

A four-strong restructuring committee, chaired by O&Y's Mr Lionel Dodd and advised by Merrill Lynch, is to develop and implement the new financial restructure.

As provided in prior arrangements, holders of Federated's senior unsecured exchange notes – including First Boston – have received 7 per cent of the unit's outstanding shares. According to Campeau, Federated will have the right, until March 1, 1990, to redeem the paper with no premium for the re-acquired stock.

Mr Campeau explained that, after reviewing the group's financial position and projected cash flow requirements, "I determined that it would be desirable for Campeau and its subsidiaries to embark on a major restructuring to reduce leverage."

Analysts expect the restructuring to result in an extensive sell-off of more Campeau assets. "The asset sale is about to commence," projected Mr Martin Kaufman of Nesbitt Thomson Deacon.

Mr Campeau sprang to international prominence in May last year, when he paid US$6.6bn for the Federated department store chain. The acquisition came less than 18 months after the purchase of Allied for $3.6bn.

That spree left Campeau with a colossal burden of debt. At January 31, this weighed in at almost US$11bn, according to the company's annual report, supported by total shareholders' equity of just US$98m.

RJR reshapes $1.5bn deal to sell Del Monte

By James Buchan in New York

BANKERS AND lawyers for RJR Nabisco were yesterday reshaping a $1.5bn deal to sell the company's Del Monte canned food business to Citicorp after officials of the Federal Reserve Board expressed some reservations to the New York banking group about the structure of the deal.

People involved with the talks said yesterday that RJR, a large food and tobacco group, and Citicorp's venture capital operation had worked round the Fed's reservations about the highly leveraged deal and were clearing away other complications.

Analysts believe that Citicorp Venture Capital, which is being advised by Merrill Lynch, the Wall Street investment bank, may bring another investor in to reduce its ownership in the Del Monte business and spread the risk. Under the original plan, Kohlberg Kravis Roberts, a Wall Street investment firm which owns RJR, was to keep 20 per cent of the Del Monte.

The Federal Reserve Bank in New York yesterday declined to comment. But the bank, which is responsible for the federal regulation of the local banking industry, was said to have told Citicorp informally last week that the deal might not meet requirements of a law limiting bank equity investments in venture capital transactions.

The Fed intervention was seen by some people on Wall Street as marking a stricter approach by some bank regulators to bank involvement with leveraged buy-outs. Last week, the market for junk bonds, which are widely used to finance leveraged buy-outs alongside bank loans, was plunged into turmoil by a cash crisis at Campeau, a Canadian real estate group which issued a profusion of junk bonds to built a retailing empire.

Fed officials have consistently told banks to look carefully at their lending to leveraged buy-outs, which are risky transactions because they impose a high level of debt on businesses.

Mr Manuel Johnson, vice-chairman of the Federal Reserve Board, repeated the message in testimony before Congress yesterday. Speaking before a panel of the House Banking Committee, he said lending to leveraged buy-outs "warrants particularly close attention by bank managers and supervisors alike."

The sale of Del Monte's canned foods business would be an big step for RJR, which is attempting to raise cash to pay off the debt it shouldered in its own $25bn LBO late last year. Earlier this month, RJR announced an deal to sell Del Monte's other main business, growing and trading tropical fruits, to Polly Peck International of the UK for $875m.

Share boost for Manny Hanny

By James Buchan

STOCK IN Manufacturers Hanover, the New York banking group, rose sharply on Wall Street yesterday as investors reacted warmly to the bank's decision to strengthen its capital against possible losses on Third World loans.

Shares in Manny Hanny, which is the seventh largest

John McGillicuddy: 'Loss reserves will tip bank into red'

US banking organisation, rose \$2 to \$43¾ in trading yesterday morning as the market responded to the bank's financing plan.

Under the plan, announced on Monday, Manny Hanny will sell 2.7m shares of its own and 60 per cent of CIT, a finance company subsidiary, to the Dai-Ichi Kangyo bank of Japan for $1.4bn.

Of the proceeds, Manny Hanny will use $950m as reserves against possible losses on its nearly $7bn book of Third World loans.

In addition, Manny Hanny plans to raise $500m more through the sale of new shares in itself by the end of the year.

According to Mr John McGillicuddy, Manny Hanny's chairman, the addition to loss reserves will cause the bank to report a loss of $475m for the year. But analysts responded favourably to the plan because it will increase the bank's ability to withstand future losses on the loans.

The new provisions will increase Manny Hanny's loss reserves against its medium- and long-term Third World debt from a low 22 per cent of the money at risk to 36 per cent.

Dai-Ichi Kangyo gains US foothold

Stefan Wagstyl looks at a Japanese bank's expansion into America

A proposed $1.4bn US acquisition by Dai-Ichi Kangyo Bank (DKB), Japan's largest commercial bank, could signal the start of a wave of interest among Japanese financial institutions in buying American companies.

DKB's purchase of 60 per cent of CIT Group, a subsidiary of Manufacturers Hanover, the troubled Chicago-based bank, for $1.28bn is the largest corporate acquisition made in the US by a Japanese financial institution. To cement the deal, DKB is also paying $120m for 4.9 per cent of Manny Hanny.

DKB is regarded as anything but a trend-setter in Japanese finance. The CIT acquisition comes a full five years after Fuji Bank bought Walter Heller, another US finance company, for $425m.

But DKB's purchase comes as several Japanese banks are considering further US acquisitions – on the grounds that America is the world's largest banking market. Earlier this week, Daiwa Bank, the 10th biggest Japanese bank, announced plans to buy the US banking operations of Lloyds Bank of the UK for $200m.

"There will be more acquisitions," said Mr Robert Zielinski, an analyst at Jardine Fleming, the securities broker.

"That's my view. It's also exactly what Mitsubishi Bank has just told us."

US finance companies have been singled out as a target by several Japanese banks – Tokai Bank and Sanwa Bank as well as Fuji and DKB.

The Japanese are attracted to the finance companies' expertise in packaging complex leases and other forms of asset-backed loan. Finance companies also tend to be strong in lending to medium-sized and small companies – where margins are higher than in wholesale banking.

Perhaps most important, a large finance company like CIT has a sizeable branch network, a natural springboard for building a fully-fledged retail domestic banking business.

A money centre or strong regional bank would provide a similar entree. But, Japanese companies have been criticised for threatening to dominate the US banking industry, especially in California where Mitsubishi Bank and the Bank of Tokyo own two of the largest state banks.

Finance companies have a lower political profile than banks. Their true worth to the Japanese may only become apparent after restrictions on inter-state banking are lifted in the US in 1991.

DKB said developing a business in the US "the centre of international financial activities, has always been a prime concern to us in playing our role as a world bank."

Nevertheless, some foreign bankers in Tokyo doubt whether marriages between Japanese banks and American finance companies will necessarily work.

Fuji's investment in Heller has been plagued by severe problems, which started with the discovery of unexpected bad loans soon after the deal.

Heller has only recently made its first profit for Fuji after four years of losses and capital injections from the Japanese bank totalling $400m.

Ms Alicia Ogawa, an analyst at Warburg Securities, an arm of the UK merchant bank, believes DKB is worse equipped than most Japanese banks to handle a large US subsidiary. "DKB is as unsophisticated as CIT is sophisticated," she says.

DKB owes its position as Japan's largest bank to its foundation in 1971 in a merger between Dai-Ichi and Nihon Kangyo banks. It has the largest assets, with Y53,006bn ($363.5bn) at the end of March, and the biggest domestic branch network.

But return on assets is the second lowest among the city (commercial) banks at 0.36 per cent. Over-staffing created by the merger is widely believed to be the main cause for its relative inefficiency and its slowness in moving into some new areas, especially overseas.

The bank has the smallest international revenues of any of the top five city banks – Y87.6bn in the year to March, against Y137.8bn for highest-placed Sumitomo Bank.

Mr Shigeru Koga, a manager in DKB's corporate planning division, said yesterday: "Some people consider DKB has been too slow but we had to wait for the right opportunity to come." It turned down some companies subsequently bought by other Japanese banks.

CIT is large enough to act as a base for DKB's American ambitions: the US company is the ninth largest in the US with $9.3bn in assets at the end of last year, 2,543 employees and 50 offices, mostly on the eastern seaboard.

The company brought Manny Hanny no end of trouble with bad loans after it was bought in 1984, but these have been purged in a drastic overhaul of the books carried out under Mr Albert Gamper, the chief executive officer. Mr Gamper will remain in place; DKB will appoint a Japanese executive as chairman.

Mr Koga said Manny Hanny, as the 40 per cent partner, would help DKB oversee CIT after the deal is completed next year. The acquisition of a 4.9 per cent stake in Manny Hanny might imply that DKB envisages close co-operation – perhaps even a takeover.

However, DKB said this was not the case. Indeed, the bank would have preferred not to make the investment. Mr Koga said it had no choice – investment in the parent bank was part of the package. In any case, DKB has agreed not to buy more Manny Hanny shares for 10 years.

The biggest advantage a Japanese or other AAA-rated bank brings to the finance company is its high credit rating, which enables its new subsidiary to raise funds more cheaply.

It can also introduce new customers, particularly among the US subsidiaries of Japanese groups. But creating a full-scale US-wide banking operation will require skills of a different order. It remains to be seen whether DKB has those rare talents.

Owens to acquire rest of UK glass packager

By Lisa Wood

OWENS-ILLINOIS, the US glass container-maker, is to buy from Guinness, the UK drinks group, its 50 per cent stake in United Glass, one of the largest manufacturers of glass packaging in Britain.

The decision by Owens-Illinois, which owns the other half of United Glass, appears to be a reversal of its original plan, which was for both it and Guinness to sell the business.

Owens-Illinois said: "We had considered selling the stake, but having evaluated United Glass and its future we decided it would be a good idea for us to acquire the whole company. The business is very closely compatible with our US glass business."

The price has not been disclosed but industry observers estimate that United Glass has a market value of about £150m. The consideration involves deferred payments during a three year period.

Guinness, which accounts for about one third of United Glass business, will retain non-glass business assets of United Glass, including a property development site. The deal is subject to approval from the Office of Fair Trading.

Alitalia losses reach L172bn

By Our Financial Staff

ALITALIA, Italy's state-owned carrier, said consolidated losses totalled L172bn ($121m) and parent company losses totalled L119bn during the first six months of 1989.

The company did not give comparable first half 1988 results. It said L56bn of losses from its subsidiary carrier ATI contributed to the 1989 losses.

Turnover rose 18 per cent in the first half of this year but additional figures were not given. Mr Carlo Verri, chairman, was quoted as saying that the company expected its performance to improve in the second half of the year.

Alitalia's 1,800 pilots signed a pay deal in July giving them a 26 per cent increase which ended a two-year dispute.

Ailing Co op to close 207 shops and shed 2,500 staff

By Haig Simonian in Frankfurt

CO OP, THE ailing West German retailer which pulled back from the brink of bankruptcy earlier this week, is to close 207 of its 2,200 stores by the end of this year at the cost of about 2,500 jobs.

Mr Hubert Haselhoff, chairman of the group's works council, said redundancy terms had already been agreed for the employees concerned, although some of those in urban locations might be found jobs in other parts of the Co op group.

Meanwhile, trading in Co op shares is due to resume on the Frankfurt Stock Exchange today after being suspended prior to new rounds of talks between the creditor banks earlier this month. Co op shares last traded at DM115 on September 7.

The company confirmed yesterday that a final decision on its planned capital write-down, while will be followed by an injection of new funds, would be taken at its next general meeting, which will probably be held on November 30.

A radical recapitalisation was one of the key points put forward by Deutsche Genossenschaftsbank (DG Bank) in the last-minute rescue plan finally accepted by the majority of Co op's creditor banks in the early hours of Monday morning.

According to Mr Helge Jan Schmodde, a DG Bank official, "intensive" discussions are now taking place aimed at bringing round the remaining banks and at persuading others, which have accepted the plan in principle but with varying strings attached, to come round.

"The task of the next few days is to bring those banks round which have not agreed, or which have agreed only under certain conditions," he said. Whether Co op might again have to apply for receivership failing complete agreement among all its bankers is an issue its lead bankers clearly prefer not to address at present.

Meanwhile, further details of the group's complex capital restructuring are likely to emerge more clearly after a meeting of its supervisory board on October 17.

One of the key points will be the role to be played by the four foreign banks, which together own over 70 per cent of its shares. Under DG Bank's plan, the four banks have agreed to transfer their shares – but not their voting rights – to a trustee pending the capital restructuring.

The four banks retain the right to participate in the company's subsequent capital-raising. Should they not take part, DG Bank and Bank für Gemeinwirtschaft (BfG), the two domestic members of the six member "pool" of banks guiding Co op's financial affairs, will jointly underwrite the DM300m to DM350m required to restore the company's financial health.

DG Bank is expected to contribute around 75 per cent of the total, with the remainder coming from BfG.

Meanwhile, Co op is continuing discussions to dispose of some of the specialist retailing activities, acquired before its difficulties were revealed, to their previous owners.

A 75 per cent stake in Richter Spiel+Hobby, a specialist toy retailer, has been sold back to its founder, Mr Karl-Heinz Richter, for an undisclosed sum.

Mr Richter has also bought full control of Bielefeld Sport und Freizeit, another sports and hobby chain. The transactions follow Co op's new policy of concentrating on its core food retailing business.

COMPANY NEWS IN BRIEF

MR T. BOONE PICKENS, the Texas oilman and corporate raider, said he requested that Koito Manufacturing, the Japanese vehicle parts supplier in which he has a 20.2 per cent stake, raise its interim dividend, as of September 30, from Y4 (2.7 UScents) to Y7 per share, Reuter reports.

The request was made because the company recently realised Y1.2bn ($8.2m) of unexpected profits. Mr Pickens said he sent letters to Koito's major shareholders asking for their support. The move was made as part of Mr Picken's ongoing efforts to participate in management policies of Koito, and to break up Japan's closed corporate structure.

■ Nuovo Ambrosiano, the Italian bank, lifted first half gross operating profit to L 158.2bn ($112m) from L 135.1bn. Client loans rose to L5,600bn from L4,600bn and deposits rose to L6,600bn from L5,900bn, Reuter reports.

Total funds under management were L16,500bn against L14,700bn. Nuovo Banco Ambrosiano said its subsidiary Banca Cattolica del Veneto had first half gross operating profit of L125.3bn against L102.2bn in the comparable 1988 period. NBA and Banca Cattolica plan to merge their operations.

■ Credito Italiano, the state-owned Italian bank, said first half gross operating profits rose to L316bn from L238bn. Total funds under management were L66,700bn against L52,900bn. Total loans were L56,300bn against L41,600bn, Reuter reports.

■ Pirelli & C., the diversified investment company of the Pirelli family which controls the international tires and cables group, reported that net profits fell 25 per cent to L27.46bn in the first half of the year, down from L36.6bn a year earlier, AP-DJ reports.

The drop was the result of one-time gains in the first half of 1988 totaling L24.4bn from the sale of real estate holdings, while extraordinary gains in the first half of 1989 amounted to L6.1bn.

Pirelli & C. is controlled by a shareholders syndicate that includes the Pirelli family, the merchant bank Mediobanca, the De Benedetti group, and the Orlando family. With a shareholding of 40 per cent in Switzerland-based Societe Internationale Pirelli, Pirelli & C. controls the Pirelli cables and tires group.

Telmex sell-off details expected

By Richard Johns in Mexico City

DETAILS of the Mexican Government's plans to privatise *Telefonos de Mexico* (Telmex), the 51 per cent majority state telecommunications virtual monopoly, are expected to be announced by the end of the week.

The move will probably involve a reduction in the state's shareholding in the enterprise, Mexico's third largest in terms of sales, to about 25 per cent.

The aim is evidently to increase the capital base with an infusion of fresh resources, foreign and national, which would enable Telmex to find the US$10bn to $12bn reckoned to be needed to fund the modernisation of the system, and an ambitious 12 per cent annual expansion programme planned for the next six years.

On Monday President Carlos Salinas de Gortari stressed that under the new guidelines the Government would maintain supervision over the system despite being a minority shareholder. He also said the company – which is only one of two Mexican concerns traded on the New York Stock Exchange – would remain under national financial and managerial control.

Addressing the annual convention of the Union of Telephone Workers of the Mexican Republic (STRM) Mr Salinas maintained that workers' rights would be respected.

Apart from privatisation, the new regulatory framework will also define the scope of "complementary" concessions, including cellular telephone, data transmission, and videotext services and private networks and package switching.

With an investment equivalent to $800m last year and one of $1.1bn projected for this year, Telmex is already undergoing a rapid expansion.

Sales in the first half of this year rose to 2,370bn pesos ($967m at the mid-year exchange rate) while profits at 737.47bn pesos were up 55 per cent. Largest of Telmex's minority shareholders are the the Grupo Desc with about 14 per cent and Mr Miguel Aleman with about 5 per cent.

Lockheed builds hopes on new airports business

Paul Betts reports on a US competitor for BAA

Vincent Marafino: may invest in Luton airport

D3 LOCKHEED, the US aerospace group, is emerging as one of the major competitors of BAA, the privatised British Airports Authority, for the growing international business of new airport construction and development.

Mr Vincent Marafino, vice chairman and chief financial officer of Lockheed, said yesterday that the Californian defence contractor and aerospace group was keen to expand its airport development and management activities as part of its efforts to internationalise and broaden the base of its largely defence-related operations.

Lockheed is involved in the $70m development programme for the new Birmingham airport which Mr Marafino said was due to open for operations in the first quarter of 1991. The US group is looking at options for investing in Luton airport, and is in the final stages of negotiations with Turkey for the expansion of Istanbul airport.

Mr Marafino said the company regarded "airport privatisation as a growth business and a good opportunity" for his company. "But wherever we go, we find BAA as our main competitor," he added.

Lockheed, which relies heavily on US government defence contracts, is now seeking to internationalise its operations by seeking co-operation agreements, joint ventures and eventual acquisitions.

The Californian group recently reached a broad co-operation agreement with Aerospatiale, the French state-owned aerospace group, and Mr Marafino said the two companies were looking at possible cooperation in projects in the US and Europe.

However, Lockheed's latest moves both in the US and abroad are seen in part as an effort by the company to build up its defences against an eventual hostile attack. The group has been unsettled since Mr Harold Simmons, a Dallas investor, accumulated a 9.46 per cent stake in the aerospace company. One of its responses was to launch a $500m employee stock ownership plan designed to control 17 per cent of the company.

Mr Marafino claimed yesterday that Mr Simmons' shareholding had not made any significant change to the company and its strategy. He said there had been no further talks with Mr Simmons since May and that the Dallas investor had not disturbed, or interfered with, the group's business.

Although Lockheed's performance this year had suffered from the phasing out of the C-5B airlifter programme, higher taxes and other expected items, Mr Marafino said the company was now expecting a steady recovery in earnings next year. The group reported lower first half net earnings of $139m on sales of $4.4bn this year compared with $220m and $4.9bn respectively last year.

The company, he added, was positioned in strong defence segments like ballistic missiles, anti-submarine warfare, and space. It was also making major efforts to market its computer system software capabilities to non defence government agencies like the US Treasury and the US Transport department.

In the civil aircraft field, Lockheed is seeking to become a major subcontractor for commercial aircraft manufacturers as well as providing maintenance and servicing facilities for older aircraft for airline companies. The Californian company is already doing some subcontracting work for Boeing. It is also negotiating with McDonnell Douglas.

However, it has not managed to secure subcontracting contracts so far from Fokker and negotiations with the Airbus consortium have been abandoned.

Sappi rises 47% in first half

By Patti Waldmeir in Johannesburg

SAPPI, the South African paper and pulp maker, increased net income by 49 per cent in the six months to August 31, to reach R292.7m ($103m) from R196.2m. The company expects more rises in the second half.

The group, which grew significantly last year following the acquisition of the regional wood pulp interests of Courtaulds, the UK chemicals and fibres producer, increased earnings per share by 33 per cent to 315 cents on an enlarged share capital. The interim dividend was raised to 80 cents a share from 55 cents for the year earlier period.

Turnover rose to R1.37bn, 34 per cent higher than last year's figure, restated to reflect the fact that the company has changed its year end from December 31 to February 28. Operating income rose 44 per cent, to R383.3m.

Commenting on the results, Mr Eugene van As, the managing director, said in Johannesburg that demand for Sappi's products in world markets had remained strong, with the exception of newsprint, which was in excess supply. The dollar prices of other Sappi products were showing signs of peaking, although prices in other hard currencies were above those obtained in the second half of last year.

INTERNATIONAL COMPANIES AND FINANCE

Peering into a property black hole

David Barchard reviews the changing fortunes of UK estate agents

THE RECENT announcement of a £24.7m loss by Prudential Property Services, the largest UK estate agency chain, in the first half of the year, was the bleakest news yet for the industry.

With interest rates generally expected to remain well above 12 per cent into the new year and probably well beyond, the time has passed when the estate agency industry can console itself with hopes of an early return to easier times.

Instead, each week brings news of more losses, which must be particularly unpalatable to new entrants who decided to invest heavily in estate agencies at the height of the housing boom.

Prudential's losses were preceded by news of a £6.6m loss by Hambro Countrywide. Royal Life and General Accident have reported first-half losses of £14.5m and £9m respectively. Black Horse, the estate agency operation of Lloyds Bank, sustained a loss of £5.9m.

Nor is it only the largest chains which are being affected. For example, pre-tax profits at John D. Wood, the up-market London and country residential estate agent, fell by 82 per cent in the first half.

Not all the losses are quite as drastic as they look.

Prudential's underlying loss was around £14m, for instance, boosted by an immediate write-off of £10m of investment in new technology.

Black Horse announced interim losses of £5.9m, but only £400,000 was a trading loss in the first half – while £5m was provision for possible future rationalisation.

But the drop in business volumes means that it will be increasingly difficult to avoid sustaining heavy losses during the second half of the year.

"Our business in terms of house sales is running at around 43 per cent of last year," says Mr Colin Finch, deputy chairman of Hambro Countrywide.

"If there is anyone around at the moment who is doing well, I don't know who it can be."

At Black Horse Estate Agencies, Mr Peter Constable, chief executive, says house sale volumes fell to 20,000 in the first half of the year from 36,000 a year ago.

"The pattern varies regionally," Mr Constable says. "In some areas the fall is well over 50 per cent and in others it is very low."

The turnround has already forced some notable reversals of strategy.

A year ago, Halifax, the largest UK building society, was in the process of spending £100m on goodwill on purchasing estate agency chains and expected to spend the same amount this year.

Now, it has slammed on the brakes, at least for the time being, although its total of around 709 outlets means that it has more or less achieved its original goal of parity with the life assurance companies.

Throughout the year, Halifax has kept up a high-profile television advertising campaign, fanning the embers of the market to keep them alive.

UK ESTATE AGENCY PROFITABILITY 1989

Agency	Number of branches	First-half losses (£m)
Prudential	800	24.7
Royal Life	782	14.5
General Accident	600	9
Black Horse	562	5.9
Hambros Countrywide	496	6.6
Abbey National	430	9.0†
Hamptons	150	3.0†

†Estimated

Source: John Wriglesworth, Phillips & Drew

Those who have stood aside from purchases naturally derive a certain comfort from the present situation. Legal & General, the large life assurance group, decided not to build up an agency chain, but to buy a 10 per cent stake in a number of companies.

"We are glad now that we didn't get involved in expensive purchases," says the group.

However there are still some late entrants to the market. Woolwich, the fourth-largest building society, has increased its chain of agencies from 25 to 65 since the start of the year and last week announced the purchase of Richard Barclay, a chain in south-west London.

To staunch their losses, some larger chains are diversifying. "We are trying to broaden the basis of our earnings by expanding our commercial and professional services," says Mr Finch.

His company last month spent £15m on commercial property surveyors Wright Oliphant.

In May, the group acquired Hambro Legal Protection, a legal expenses insurer, which contributed £500,000 in profits on a merger accounted basis.

Across the market, the slimming down of staff numbers and the closure of marginal offices continues.

Black Horse's numbers have shrunk by 800 from 3,800 since the beginning of the year. It is generally considered one of the leanest and most efficient chains.

According to Mr John Wriglesworth of the stockbrokers UBS Phillips & Drew, these economies will help to reduce losses in the second half of the year. "I think that some of the larger chains will get away with losses of about two thirds of what they lost in the first half of the year," he says.

But with little chance of a revival in the market before the second half of next year at the earliest, the industry finds itself peering into a black hole with losses in 1990 hard even to guess at.

Tarmac ready for continental expansion

By Andrew Taylor, Construction Correspondent

TARMAC, Britain's biggest housebuilder, contractor and building materials group, expects to make its first acquisition of a quarry in continental Europe by the end of this year.

The group is one of the largest aggregate and ready-mix concrete producers in the UK. It also owns large aggregate and ready-mix concrete businesses in Florida, California, and Virginia in the US.

Tarmac, which yesterday announced a 23 per cent rise in pre-tax profits to £153.8m during the six months to the end of June, has considered France a possible candidate for its first Continental acquisition.

British companies already have a strong holding in the building sector in France – Steetley is the country's biggest aggregate producer, and RMC is one of the two largest concrete producers there.

The French plan to build or upgrade 3000km of road by 1996 and to construct 720km of fast rail track by 1993.

Tarmac said its seven divisions all increased profits during the first half. This included the UK housing and building materials units in the US. Group turnover rose by 19 per cent to £1.52bn and earnings per share by 20 per cent to 13.2p.

By the end of the year, Tarmac expects to have sold within 5 percentage points of the 12,165 homes it sold in the UK last year. Last year UK housing accounted for 49 per cent its £423m trading profits. However, margins are expected to come under pressure in the second half of this year.

The company said its UK contracting division already had £700m in turnover for next year on its order books. Profits had risen substantially in the first half.

Profits from Tarmac's US building materials operations, which fell by 10 per cent in 1988, recovered a little in the first half.

Profits in industrial products benefited from the first earnings from Ruberoid, the roofing felt business acquired by Tarmac at the end of last year. The interim dividend increased from 2.5p to 3p.

INTERNATIONAL COMPANIES AND FINANCE

Tangled past surrounding Bond's brewing asset sale

By Chris Sherwell in Sydney

AS MULTI-BILLION dollar deals go, few have a lengthier history than Mr Alan Bond's plan to restructure the ownership of his brewing assets using the cash-rich Bell Resources acquired from Mr Robert Holmes à Court.

When the mercurial 51-year-old entrepreneur purchased the Bell stable of companies from his Perth rival in 1988, he hoped not only to merge his flagship Bond Corporation with Bell Resources, but also Bond Media, containing his television interests, with Bell Group, which owned Perth's highly profitable "West Australian" morning newspaper.

That plan — call it Version One — was frustrated by Mr John Spalvins, the wily chief of the Adelaide Steamship conglomerate. He built up a stake of almost 20 per cent in Bell Resources — sufficient, he calculated, to extract some desirable assets or to be bought out before letting the deal go ahead.

Mr Bond decided instead to call it off, and effectively locked Mr Spalvins into an investment of declining value on the share market. Simultaneously, and in a controversial move, his company started to tap Bell Resources' cash mountain anyway.

It was not until May that it became known Bond Corporation had "borrowed" around A$900m (US$702.6m) from Bell Resources on unclear terms. Amid mounting speculation about this and the future of his whole empire, Mr Bond announced Version Two of his brewery restructuring.

This involved the sale of all his Australian and US brewing assets to Bell Resources for A$3.5bn, a sum comprising a A$1.2bn "deposit" paid to Bond by Bell Resources and A$2.3bn of debt in Bond Brewing Holdings, the main brewing arm.

Once again a principal obstacle to the plan was Mr Spalvins — by now furious about the A$1.2bn, some of which apparently repaid Bond Corporation bank debts, and sitting on an increasingly hefty loss as Bell Resources shares fell alongside Bond Corporation's.

But the objections went further. Argument raged over the high A$3.5bn value put on the brewing assets, and when the Stock Exchange ordered valuations to be done both for Bell Resources and Bond shareholders, Mr Bond threatened to call the whole deal off. At one point in June, the stock exchange suspended Bell Resources shares.

The National Companies and Securities Commission (NCSC), Australia's share market watchdog, was also getting more deeply into the act, and recently confirmed it is investigating the A$1.2bn "deposit" made by Bell Resources to Bond Corporation, which have common directors.

By last month the A$3.5bn deal looked increasingly unlikely to proceed. Mr John Elliott, boss of the Elders brewing group, was said to be concerned about the disposition of Bond's assets and talking to his weakened rival about a "rescue." So was SA Brewing, the Adelaide group.

Other names also began to enter the fray. Over the weeks Allied Lyons of the UK, Anheuser Busch of the US and New Zealand's Dominion Breweries, part of Sir Ron Brierley's Magnum Corporation, were all mentioned. And despite assurances that the A$3.5bn deal was still on, the talk was of an outright sale of all the brewing assets.

In fact a full sale also had to be ruled out. It had emerged that if Bond Corporation went below 50 per cent control of its brewing interests, that might trigger the costly redemption of some A$700m in Bond Corp convertible bonds at par.

What finally emerged yesterday, therefore, was Version Three of the restructuring, involving a joint venture with Lion Breweries of New Zealand, and just the Australian brewing assets with the US Heileman brewery interests excluded.

This proposed A$2.5bn deal must now run the same gauntlet as its two predecessors: namely Mr Spalvins, other shareholders and such regulatory bodies as the Stock Exchange, NCSC, Trade Practices Commission and Foreign Investment Review Board.

If it goes through, Mr Bond could still face difficulties. On one analyst's view, he will have slashed his main source of cash flow, and made further asset disposals even more necessary to service his debts.

Myers' meteoric rise in NZ lager market continues

By Terry Hall in Wellington

IF MR DOUGLAS MYERS succeeds in his bid to secure a half stake in Bond Corporation's brewing interests, he will have moved, in eight years, from a virtually unknown minor shareholder in Lion Breweries to potentially one of the most powerful men in the brewing industry in Australia and New Zealand.

Mr Myers has long held the ambition to move into Australia: but the size of the two dominant liquor companies there, Elders and Bond, seem to make this target impossible.

Lion's research showed there was no room for another brewery there to make Steinlager, his company's leading brand. The company thus set out to build market share by exporting it from New Zealand.

Yesterday everything changed, with the confirmation that Mr Myers' company was likely to gain effective control of Bond's brewing interests.

These had been valued at up to NZ$4.5bn (US$2.67bn), which compares with the total assets of Lion Nathan of NZ$1.8bn.

Mr Myers has hinted Lion will be paying up to NZ$2.5bn for control of half the Bond brewing group.

Mr Myers had always looked for a change. Details of yesterday's deal to gain control of Australia's second-biggest brewer are sparse.

But it is a breathtaking move for the New Zealand company, which should result in Mr Myers gaining control of some of the oldest names in Australian brewing, including Castlemaine, Tooheys and Swan.

Mr Myers has a deep interest in the liquor industry and will happily discuss the history of brands and brewing techniques for hours.

This stems from his family's involvement in the Auckland liquor business from the 1840s.

They were pioneering shareholders in Lion Breweries which merged to form the national group New Zealand Breweries in the 1920s.

The Myers family concentrated on their own business interests, including building up a large private liquor group, Campbell and Ehrenfride, and New Zealand wines and spirits.

However, in 1981, Mr Myers sprang to national attention when he launched a personal bid to buy 20 per cent of New Zealand Breweries.

This cost NZ$22m and was handled through a reverse takeover of the Myers liquor interests.

Then in his early 40s, Mr Myers said he could run the business better himself. He was appointed managing director and began a major shake-up of the group.

Profitability increased steadily as plants were closed and the business rationalised. Mr Myers brought his personal stake to 30 per cent.

This dropped to an estimated 16 per cent following last year's decision to takeover L D Nathan, which owns Woolworths NZ, and a substantial range of property interests.

This made Lion Nathan New Zealand's sixth-largest company although it is believed Lion will move to sell some Nathan assets to raise funds for the Australian move.

It has emphasised that no cash issue is planned.

The merger with Nathan was a contentious one, with Lion's other major shareholder, Malayan Breweries, trying to stop it.

There were also protracted Commerce Commission hearings and an inquiry into share dealing by merchant bank Fay Richwhite.

Fay Richwhite are playing the major role in advising and financing this deal: and there are suggestions this could stem from links developed in Perth between Mr Michael Fay and Mr Bond, who were involved together in the America's Cup challenge.

Mr Myers is also a keen yachtsman and his company financed Swan lager's current entry in the round-the-world Whitbread race.

Malayan Breweries, with their Dutch associate, Heineken, had a 20 per cent stake in Lion for some 15 years.

This was reduced to 12.5 per cent following Lion's merger with Nathan.

As a result of maintaining their shareholding they also gained entry to the Australian market.

Hongkong Bank votes to update trading procedures

By Michael Murray in Hong Kong

SHAREHOLDERS OF the Hongkong and Shanghai Banking Corporation yesterday voted in favour of moves to modernise the bank's statutory framework, passing two resolutions to submit the bank for the first time to the Hong Kong companies ordinance, and amend its existing century-old ordinance to bring it up to date.

The practical effects of the changes, described by Mr William Purves, the Hongkong Bank chairman, as moving into line with international trends towards legal and regulatory consistency, are of a minor nature.

But they include the removal of technical snags in the issue of perpetual preferred stock, and opening the share register to the public eye for the first time.

However, the 1 per cent rule, under which prior board approval is required to hold more than 1 per cent of the Hongkong Bank's shares, remains in place.

Mr Purves dismissed suggestions that the changes represent a clearing of the way for some future restructuring of the Hongkong Bank, and said that its assets, liabilities and business will not be affected, and its domicile and location of head office remain unchanged.

Speculation has focused on the Hongkong Bank's relationship with Britain's Midland Bank, in which it acquired a 14.9 per cent stake in 1987, but Mr Purves said that, although co-operation was continuing between the two partners, it was still early days, and pointed to the standstill agreement on any increase in the Hongkong Bank's stake in Midland, which does not expire until the end of 1990.

Mr Purves said that no approach had been made to sound out the Bank of England on any possible future deal with Midland, but added that he felt the climate was now a bit different from that of 1981, when the UK authorities blocked a bid from the Hongkong Bank for the Royal Bank of Scotland.

He said that the Hongkong Bank was a long way from any proposal with regard to Midland, and that it would be necessary "to see if two and two made more than four," in considering the possibility of any future closer relationship.

Toyota sees rise in luxury vehicle sales

By Robert Thomson in Tokyo

TOYOTA MOTOR, the Japanese auto maker, yesterday announced a 2.5 per cent increase in consolidated pretax profit of Y625.6bn (US$4.29bn) for the year to end June, after an 11.2 per cent increase in total sales during the period.

Total sales were Y8,021bn, while sales of vehicles rose 10.8 per cent to Y5,788.9bn, and the number of units sold rose by 6.2 per cent to 4.1bn, reflecting an increase in sales at the luxury end of the lucrative domestic market. Foreign sales rose 3.2 per cent to 1.9bn.

During the period, the company's total assets rose from Y5,450bn to Y7,152bn. Twenty-five subsidiaries are covered in the consolidated results, six in Japan, and the remainder based in other countries.

Hooker sale

HOOKER Corporation, the financially troubled Australian property and retail company with US interests, has agreed to sell some of its assets for A$11.1m (US$8.7m), according to its provisional liquidator, AP-DJ reports from Sydney.

The sale agreement includes Hooker's sand mining, quartzite quarrying and concrete product making operations in New South Wales and Victoria.

CSR and Pioneer International have agreed to buy the interests with effect from September 1, according to a statement from Peat Marwick Hungerfords.

Hooker owes Australian and international banks about A$1.6bn.

Asahi takes stake in GFW food subsidiary

By Terry Hall

IN AN attempt to gain assured access to the Japanese market, Goodman Fielder Wattie is selling a substantial stake in its profitable New Zealand subsidiary, Wattie Frozen Foods, to the Asahi Chemical Industry.

A joint venture is to be formed under which Asahi would initially buy 20 per cent of Wattie and possibly a further 30 per cent in due course. Asahi is believed to be paying around NZ$25m (US$14.7m) for its initial holding.

The deal includes a marketing agreement which could see the Japanese eating baked beans and spaghetti made by another GSW subsidiary, J Wattie Canneries.

GSW expects sales to Japan to triple to NZ$60m because of the deal.

INTERNATIONAL CAPITAL MARKETS

Exchanges to seek shift in tax status of derivatives

By Katharine Campbell

LONDON'S FUTURES and options markets are preparing a joint submission to the Inland Revenue requesting legislative change with regard to the tax treatment of derivative products.

The exchanges contend that a fiscal and regulatory morass in this area has demonstrably disadvantaged London's markets, particularly compared with other European centres where the relevant domestic authorities have usually secured a more favourable environment for new derivatives ventures.

While a statement of practice issued by the Revenue just over a year ago was at the time hailed as a big step towards spelling out how institutional fund managers could use futures and options without incurring tax penalties, exchange officials are now hard put to isolate much new business resulting from the supposed clarification.

A recent survey of UK investment institutions conducted by Arthur Andersen determined that ambiguity on the tax front was still a major deterrent to closer involvement in derivatives markets.

If institutions are deemed to be "trading", rather than engaging in "capital" transactions, they can be liable for income tax, rather than being altogether exempt.

For some classes of investors, getting on the wrong side of the Revenue is not just a question of footing an unexpected bill, but actually of losing exempt status.

The lingering uncertainty over last year's Revenue statement relates largely to the purchases of index-settled products, such as FT-SE futures and options. With the growth of passive management techniques, it has become still trickier for fund managers to establish the close "hedging" correlation with the underlying instrument that the Revenue requires.

The new submission, to be presented next month for inclusion in next year's finance bill, will argue that financial futures and options be treated as investments in their own right, and taxed exactly as the underlying instrument would be.

The exchanges want the authorities to agree on a common definition of crucial concepts such as "hedging" and of "efficient portfolio management." Incompatibility between the regulators' and the Revenue's drafting – often caused by a simple lack of communication between the bodies concerned – has compounded uncertainties.

The submission will also request fiscal room for the development of futures and options funds, a new form of investment vehicle which should shortly secure long-awaited regulatory approval.

Turkey takes out $200m loan

By Andrew Freeman

A $200m syndicated loan facility for the Republic of Turkey was announced yesterday by the joint arrangers, Mitsui Finance International and Fuji Bank. The financing is the first to emerge for Turkey since a three-year loan failed to attract a full syndicate in August and was rescinded.

The loan, now in general syndication, has been fully underwritten for its five-year term. The margin in the first three years is Libor plus 1 per cent, rising to Libor plus 1⅛ per cent to maturity. The commitment fee is 25 basis points per annum. Repayment will be in five semi-annual instalments starting after three years.

Management fees are as follows: 1.15 per cent for co-leads taking $10m or more, 1.05 per cent for managers taking $5m-9m, 95 basis points for co-managers taking $3m-4m, and 85 basis points for participants taking $1m-2m.

The lead management group will consist of the two arrangers, as well as Sumitomo Bank and Skopbank. Banks commented that the pricing terms appeared fairly tight on an average yield basis, but added that the front-end fees should attract interest for the smaller participations.

● A £100m commercial paper programme has been arranged by NatWest Capital Markets for Yorkshire Water, the first such programme for a water company.

It will be activated in December following the company's flotation. Dealers will be NatWest, Morgan Grenfell, Midland Montagu and UBS Phillips & Drew.

● South West Water has confirmed that it arranged a bilateral £350m six-year credit facility with Lloyds Bank via its adviser Robert Fleming as part of its preparations for meeting prospectus requirements for flotation.

It did not divulge the facility because there was no need to form a syndicate. The terms were not disclosed.

Finance ministers plan $50m equity fund

COMMONWEALTH Finance ministers meeting today in Jamaica will consider proposals to set up an equity fund to encourage foreign investment in the developing countries of the group.

The Commonwealth Secretariat believes an equity fund could help solve the problems of developing countries which have suffered a reduction in official and commercial capital flows from industrialised states, and whose economic problems have been compounded, increasing debt servicing obligations.

A report on such a fund was requested by the ministers at their meeting in Cyprus last year, and if accepted, it will be presented to the Commonwealth heads of government for endorsement when they meet in Malaysia next month.

The Commonwealth Secretariat is recommending to the ministers and heads of government a closed-end fund of not less than $50m listed in London, though incorporated in a Commonwealth tax haven.

The equity fund is conceived as being similar to an investment trust which raises capital as share subscriptions and invests these funds where shareholders can be provided with competitive returns.

Canute James on a proposal to encourage foreign investment in developing Commonwealth countries

The Secretariat says the equity fund would be a permanent institution which could grow with the demands from Commonwealth countries for foreign portfolio investment.

The Commonwealth's role is mainly catalytic, and is intended to speed the flow of equity fund resources to smaller stock markets which offer good prospects for portfolio investment.

Investments would be considered in all Commonwealth developing countries, but limits would be set on established markets to encourage investment in newer ones.

Those countries without stock markets, however, will be at a disadvantage, and investment flows would be determined by profitability and guarantees of repatriation of profits and dividends.

The advantage of equity funds is that they do not involve foreign control of local business, and risks can be spread by investing in a diversified portfolio. Portfolio investment offers developing countries access to savings held by institutional investors in developed countries.

The report points out that in 1977 US private and public pension funds had $1.7bn invested in overseas stock markets. A decade later this figure was $50bn, but not many of these investments had gone to developing countries.

The Secretariat contends that although equity funds are being established privately, official Commonwealth involvement was needed, particularly where developing countries had legislation which encouraged foreign portfolio investment.

Conversely, if governments of developing countries were aware of the possibility of portfolio investment through an entity such as a Commonwealth equity fund, they might relax constraints on foreign investment.

It is proposed that only limited investments will be made in unquoted securities because of the risks, valuation and liquidity problems, and that commercial considerations would take precedence, with the amount of investment in any country dependent on prospects for profitability.

In the longer term, satisfactory performance by the Commonwealth equity fund could allow it to raise more capital through rights issues and new issues, or to raise new funds to create a cluster dedicated to specific investment areas.

The report notes the emergence of country equity funds in developing states such as Brazil, Mexico, India, South Korea and Malaysia which have established stock markets, and multi-country equity funds which have assisted other countries with only small stock markets.

Correction
Mr Karsten Mahlmann

IN OUR report last Friday on Ferruzzi's reorganisation we wrongly stated that the US Commodity Futures Trading Commission had confirmed that six members of the board of the Chicago Board of Trade including Mr Karsten Mahlmann, its chairman, held short positions at the time of a vote which resulted in the CBOT ordering Ferruzzi to sell futures contracts covering 20m bushels of soybeans.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 29

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Alberta 9⅜ 95	600	103¼	103⅝	0	+0⅜	8.60
Austria 9⅝ 93	140	102¼	102¾	0	+0¼	8.73
B.F.C.E. 8⅞ 94	175	98¾	99¼	+0⅛	+0⅛	8.63
B.F.C.E. 9¼ 95	150	102⅜	102⅞	0	+0⅜	8.67
Brit. Tel. Fin. 9⅞ 98	250	103½	104	+0¼	+0⅝	8.75
Canada 9 96	1000	102⅞	103⅜	0	+0½	8.33
Canadian Pac 10¾ 93	100	*102½	102½	0	0	9.89
C.C.C.E 9¼ 95	300	102⅛	102⅝	-0⅛	+0⅛	8.66
C.N.C.A 9¼ 93	150	101⅞	101⅞	0	+0⅜	5.91
Credit National 8¾ 93	200	98½	99	-0⅛	0	8.64
Credit National 7⅞ 92	100	96⅛	97⅜	-0⅛	+0⅛	8.74
Credit National 9⅞ 92	160	†101½	102	-0⅛	+0⅛	8.83
Dai-Ichi Kan 9⅝ 92	150	102	102½	0	+0⅛	8.74
Denmark 7⅛ 92	500	96⅛	96⅝	-0⅛	+0⅛	8.79
E.E.C. 7 91	100	96⅝	97⅛	0	+0⅛	8.59
E.E.C. 7¼ 93	250	95⅝	96⅛	0	+0½	8.61
E.E.C. 10 93	140	103⅝	104⅛	-0⅛	+0⅜	8.64
Eurofima 10⅛ 93	100	†104⅛	104½	-0⅛	+0¼	8.63
Elec.De France 9 98	200	101⅝	102⅛	+0¼	+0½	8.66
Elec. De France 9½ 99	200	104⅛	105	+0¼	+0⅜	8.71
Finland 9 96	250	101⅜	101⅝	-0⅛	+0⅜	8.68
Finn.Exp.Cd. 8½ 92	200	99⅛	99⅝	-0⅛	+0¼	8.75
Finn. Exp. Cd. 9⅜ 95	200	102⅛	102⅝	-0⅛	+0⅛	8.79
Finn. Exp.Cred.10⅝ 91	100	†101½	102	0	-0⅛	9.30
Ford Motor Credit 8 91	250	†98½	99	0	+0⅛	8.86
Gen.Elec.Cap.Corp. 9 93	500	†101	101½	0	+0⅛	8.61
Gen.Elec.Cap.Crp.10 1/2 91	300	102	102½	0	+0⅜	8.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Bank 9⅝ 92	150	†102	102½	-0⅛	+0⅛	8.74
Sumitomo Corp. W/W 4 93	1500	107⅛	108⅝	-0⅝	+2⅛	1.75
Sweden 8⅞ 96	200	100⅝	101	-0⅛	+0⅝	8.58
Sweden 8½ 92	200	†99	99½	0	+0⅛	8.79
Toyota 9½ 91	200	101⅛	101⅜	+0⅛	+0⅛	8.78
Toyota Mtr.Corp. W/W 4 93	1500	102⅛	103⅛	-0⅛	+0⅞	3.20
Victorian Rep 11⅛ 92	150	105⅝	106⅛	-0⅛	+0¼	8.95
World Bank 7 92	300	†96½	97	-0⅛	+0¼	8.55
World Bank 9 97	300	101⅞	102⅛	+0¼	+0⅝	8.63
World Bank 9 93	300	101⅛	101½	-0⅛	+0⅝	8.54
World Bank 9¼ 98	300	103⅛	103⅝	0	+0⅝	8.67
World Bank 9⅝ 99	500	105⅛	105¾	-0⅛	+0½	8.71
World Bank 9⅜ 96	300	105	105⅛	-0⅛	+0½	8.71

Average price change... On day -0⅛ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	†95	95½	0	+0⅛	7.11
Austria 6¾ 99	750	†97½	97¾	+0⅜	-0⅛	7.09
Bk.Frgn.Econ.USSR 7 96	750	*†95⅝	95⅝	0	-1⅛	7.87
Bank of Tokyo 5¾ 93	100	†95¾	96¼	0	+0½	7.08
Commerzbank o/s. 5⅞ 93	300	†94¾	95¼	+0⅛	+0⅛	7.11
Credit Foncier 6¾ 99	500	†97½	97⅝	+0¼	-0⅛	8.13
E.I.B. 6¼ 99	600	†93¾	94¼	+0¼	-0¼	7.14
E.I.B. 6½ 99	300	†95¼	95¾	+0¼	-0¼	7.16
E.I.B. 6⅝ 96	600	†97¼	97¾	+0⅛	-0¾	7.10
E.I.B. 6⅞ 95	300	†99⅛	99⅝	+0¼	+0⅛	7.00
Euro.Coal& Steel 5⅞ 97	175	†93	93½	+0¼	-0⅜	7.07
Eurofima 6¼ 96	100	†94⅛	95¼	0	-0⅜	7.20
Elec De France 5¾ 97	300	†92	92½	+0⅛	-0⅛	7.08
Hydro-Quebec 6¾ 99	300	†97⅜	97⅞	+0¼	-0¼	7.09
Japan Dev. Bk. 5⅜ 95	300	*†92¼	92⅞	0	-0⅛	7.03
Japan Finance 5⅞ 97	100	†92⅞	92⅞	+0⅜	-0⅛	7.05
I.A.D.B. 7¼ 99	300	†100¼	100½	+0¼	-0⅛	7.19
Ireland 6½ 97	300	†95	95½	+0¼	-0⅛	7.33
Ireland 7⅛ 99	500	†99¼	99¾	0	-0⅛	7.32
Malaysia 6¼ 94	150	†96¼	96¾	0	0	7.13
Nat. West BK. PLC 6 98	300	*†91⅝	92⅛	0	-0⅝	7.30
N.H.L. Finance 6¼ 95	200	†93¾	94¼	-0½	-1	7.50
Nippon Telg.&Tel. 6 95	400	*†95⅞	95⅞	0	+0½	6.39
Oesters. Kontbk. 5 93	300	†93¼	93¾	+0½	-0¼	7.23
Portugal 5¾ 92	150	†95¾	96¼	-0⅛	-0¼	7.34
Portugal 6⅝ 95	150	†98¼	98¾	-0¼	-0⅜	6.94
Privatbanken 5¼ 93	150	†93½	94	-0¼	-0⅜	7.35
Royal Insurance 5½ 92	300	†95¼	95¾	-0⅛	-0⅜	7.48
Turkey 6½ 95	500	*†93¾	94¼	0	-0½	7.84
Union Bk.Finland 5½ 94	200	†93⅞	94⅜	0	-0⅛	7.11
World Bank 6 98	500	†92⅝	92⅞	+0¼	-0⅜	7.11
World BK. 6¼ 97	600	†95	95¼	+0¼	-0¼	7.49
World Bank 6¾ 99	600	†97¼	97½	+0⅛	+0¼	7.13

Average price change... On day +0⅛ on week -0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†91	93	-0⅞	-1¼	6.48
Asfinag 5 03	100	†87½	88½	-1⅞	-3½	6.32
B.F.C.E. 4½ 98	200	†90	91	0	-0⅝	5.91
B.M.W.Fin.Neth. 5 13	150	†85	86	0	+1½	6.18
Britannia B/S. 4¼ 94	100	†89½	90½	-0¼	+0½	6.79
CIR. Int. W/W 3 93	125	†90	90¼	0	-2	5.95
Credit Lyonnais 4¾ 00	100	†90	90½	+1¼	+2	6.01
E.I.B 4⅝ 98	150	†91	92	+0⅜	0	5.89
Fletcher Chall. 4⅞ 98	150	†75¾	76	-1	-6	9.03
Kobe City 4⅝ 98	150	†89½	90	-1⅛	-0½	6.17
Leeds Perm. B/S. 4⅛ 93	200	†92½	93½	+1½	+2¼	6.37
Malaysia 5¼ 98	100	†90½	92½	-1	-1	6.55
Maxwell Comm.Crp. 5 95	150	†85½	86½	+3⅛	+3⅛	8.14
Nat.Bk. Hungary 5½ 94	75	†91½	91¾	0	-0⅜	7.48
Nationwide Ang.B/S. 4 93	200	†91½	91¾	-0⅛	-0⅞	6.59
Nippon Telg.&Tel.4¼ 95	200	†91	91½	+0½	+0½	6.04
Oesters.Ktbk. 5 03	75	†90	90¼	-0⅝	-0⅝	6.07
Prov. Newfoundland 5 03	150	†86⅛	87	-2⅛	-5⅛	6.43
Thailand 4⅝ 95	200	†86¾	87	-1	-3⅞	7.49
World Bank 5 03	150	†88	88½	0	-1⅝	6.29

Average price change... On day -0⅛ on week -0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heineken 7⅝ 94 FL	150	102⅝	102¾	+0⅛	-0⅛	7.57
Hydro-Quebec 11 99 C$	400	103¼	103⅝	0	0	10.38
I.A.D.B. 7⅛ 99 FL	200	†98¼	98¾	+0⅛	-0⅝	7.47
Lloyds Bank 10⅛ 98 £	150	92⅜	92⅞	0	-0½	11.64
Lloyds Bank 11⅞ 98 £	100	95¾	96½	0	-0⅛	12.07
Montreal Tst.10⅜ 93 C$	100	†99⅜	99⅞	0	-0⅛	10.85
Nat. Aus. Bk. 14⅛ 94A$	100	99	99⅝	-0⅜	-0⅛	14.95
New Zealand 9½ 93 £	100	92½	93	-0⅛	-0⅛	12.05
O.E.K.B. 10¼ 99 C$	150	100⅛	100⅝	0	0	10.18
Privatbanken 7½ 94 LFr	500	†98	99	+0⅛	0	7.89
Royal Bk.Scot.10⅝ 98 £	125	94⅜	94⅞	0	-0⅛	11.68
Saskatchewan 9⅞ 91 C$	150	†97⅞	98⅜	0	0	11.01
Saskatchewan 10¼ 93 C$	200	99⅜	99⅞	+0⅛	+0¼	10.38
State Bk.NSW. 13⅞ 93A$	100	95⅝	96	-0⅜	-0⅜	15.31
Sweden 7½ 93 Ecu	250	96¼	96⅝	0	-0⅛	8.56
Sweden 15 94 A$	100	101⅝	102⅛	-0⅛	-0¼	14.33
Toyota Mtr.Cr.11⅞ 92C$	150	101⅜	102	0	0	10.59
World Bank 13⅞ 92 A$	100	98⅝	99⅛	0	+0½	13.83
World Bank 14¼ 94 A$	75	99⅝	100⅝	+0¼	-0⅛	14.23
Zentrspk. 13¼ 93 A$	75	†95⅝	96⅛	-0⅝	-0½	14.68

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	100.01	100.06	24/10	14.08
Bank of Greece 99 US	0⅛	99.58	99.69	8/03	9⅛
Belgium 91 US	0	100.13	100.23	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.96	100.01	30/11	14.06
Credit Foncier 98 US	.063	100.04	100.14	20/10	10.16
Dresdner Finance 99 DM	.031	99.86	99.97	30/10	6.97
EEC 3 92 DM	0	100.22	100.32	22/02	6⅛
Halifax BS 94 £	.1	100.15	100.20	9/11	13.97
Invt. In Industry 94 £	0⅛	100.08	100.18	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.22	100.27	13/10	14.06
Milk Mkt.Brd. 5 93 £	0⅛	99.99	100.04	29/09	14.31
New Zealand 5 97 £	.07	100.07	100.17	18/11	13.19
Northern Rock 92 £	0½	99.93	99.99	20/01	5⅛
State Bk. Nsw. 98 US	.188	100.21	100.31	11/02	8.81
Woolwich Equit.BS. 93 £	0⅛	100.21	100.27	13/10	14.06
Woolwich 5 95 £	0⅛	100.11	100.16	21/11	14.06

Average price change... On day -0.01 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	123¼	124¼	-0½	2.81
Amer. Brands 7⅞ 02 US	9/87	56.7	126¼	127⅛	+0⅛	-1.16
CBS. Inc. 5 02 US	4/87	200	104⅜	105⅛	+0¼	2.14
Primerica 5½ 02 US	4/87	66.75	72¼	73¼	+0⅛	80.66
Eng.China Clay 6½ 03 £	9/88	4.8	102⅜	103⅜	-0⅛	6.75
Fujitsu 3 99 US	5/84	1106	213⅜	214⅜	0	-0.77
Ladbroke 5¼ 04 £	6/89	7.1	106⅞	107⅞	+0⅛	128.25
Land Secs. 6¼ 02 £	6/87	6.72	96⅞	97⅞	0	15.00
Minolta Camera 2¼ 94 DM	12/86	1004	109½	111⅛	-1½	6.17
MCA Inc 5¼ 02 US	9/87	60.62	99⅛	100⅛	-0⅛	15.98
Mitsubishi Bk. 3½ 04 US	5/89	3266	91½	92½	+0⅛	3.67
Next Plc 5½ 03 £	11/87	4.3	100¼	101⅛	-0⅛	229.83
Nishi Nipp.Bk.2⅞ 03 US	4/88	804	116	117	+1⅛	-2.43
Novalcom Inc. 6 1/2% 04 US	10/89	28	102	103	+0⅛	18.94
Omron Tateisi 2⅞ 02 US	4/87	1310	260	261	-3⅛	-1.61
Ranks Hovis 4¾ 03 £	1/88	3.5	124¼	125¼	-2⅛	-7.54
Redland 7¾ 02 £	1/87	5.4	106¼	107¼	-0⅛	2.27
Saatchi&Saatchi 6⅝ 03 £	10/89	4.41	93½	94½	-0⅛	38.77
Silicon Graphics 8 04 US	6/89	23.18	109½	110½	0	9.67
Sumitomo Bank 3⅛ 04 US	2/89	4296	83⅛	84⅛	+0⅛	14.56
Texas Inst. 2⅞ 02 US	9/87	82.87	76⅛	77⅛	0	59.28
Utd.Newspapers 8 04 £	10/89	8.77	112	113	0	99.61
W.R. Grace 6¼ 02 US	9/87	42.12	97⅛	98⅛	-0½	18.95

* No information available-previous day's price.

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

World Bank issue priced to yield 8.44%

By Andrew Freeman

INTERNATIONAL BONDS

THE World Bank's $1.5bn global bond issue was formally priced yesterday afternoon with a coupon of 8⅜ per cent at a price of 99.55 to offer a yield of 8.44 per cent, some 37.55 basis points above the equivalent US Treasury. Hectic trading then ensued as the underwriting syndicate was relaxed and the bonds were allowed to find their market level.

Dealers reported good initial activity as the price was forced up as high as 99.95 bid, before limited profit-taking ensued and levels fell to around 99.87 bid. By the close of the session in London, the bonds were quoted at 99.78 bid, equivalent to a spread of 34 basis points over Treasuries.

There was much comment among syndicate officials, who said that it would take a few days before the hot money flowed out of the deal and the spread settled down. Most traders thought the spread would stick around 35 basis points, but some felt it would continue to tighten.

There was also talk that at its launch level the issue had been heavily oversubscribed, perhaps by as much as three times. At the tighter spread, there was predictably less interest, but dealers said there was good "buy and hold" demand of the sort the World Bank had been hoping to tap. US interest was reported as better than expected.

A $200m deal maturing in March 2,000 was brought for the Export Development Corporation of Canada (EDC) by Credit Suisse First Boston (CSFB) using the US-style re-offering method of underwriting. The bonds offered an 8⅝ per cent coupon and were priced at 99¾, the level at which the underwriting group was asked to re-offer the bonds to investors.

EDC is considered one of the best quality names on the Euromarket and its previous deals have traded in line with or better than World Bank issues. Yesterday's terms gave an apparent spread over Treasuries of 38 basis points, exactly in line with the expected price of the World Bank bonds, but many traders rounded this up to 40 basis points to take the short first coupon payment into account.

The syndicate was broken shortly after launch, and the bonds were bid by CSFB at 99¾. It is understood the proceeds were unswapped, although CSFB declined to comment.

BZW Capital Markets reopened a bulldog issue for the European Investment Bank with a £175m tranche of the 9½ per cent deal maturing in 2,009. The new bonds, which were placed with UK institutions, were priced at 94⅛ to yield 75 basis points over the equivalent UK government stock, in line with the existing EIB bonds. BZW was quoting the paper at 94⅛ bid.

In Germany, prices of recent new issues rose by around 35 pfennigs amid improved trading – dealers described good turnover and greater client interest in attractive yield levels. The Norsk Hydro DM250m 7¼ per cent bonds were trading at 98.55 bid, a gain of 30 pfennigs on Monday's close.

In Switzerland, the secondary market in straight bonds remained quiet. A SFr35m convertible issue brought for Nisseki House Industry by J Henry Schroder Bank had a good reception as investors chased the bonds for their exposure to the buoyant housing sector of the Tokyo stock market. The lead manager was quoting the paper at a premium to the par issue price of 3¾ points.

Monday's SFr129m deal with equity warrants for Kaufhof Finance by UBS had a reverse and fell as low as less 2 bid, before being quoted by UBS at less 1¼ bid. Co-managers were said to be selling some of their allocations back to UBS.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
World Bank(a)♦	1.5bn	8⅜	99.55	1999	⅜/¼	Deutsche Bk/Salomon Bros
Daiwa Securities‡	800	(4)	100	1993	2¼/1½	Daiwa Europe
Export Dev.Corp. Canada(a)♦	200	8⅝	99¾	2000	⅜	CSFB
MBE Finance NV(b)♦	50	8½	102	1999	2/1¼	Mitsubishi Fin. Int.
STERLING						
European Investment Bank(c)♦	175	9½	94⅛	2009	n/a	BZW Capital Markets
LIRE						
Mediobanca(d)‡♦	250bn	8	100	1995	2¼/1½	Banque Indosuez
SWISS FRANCS						
Nisseki House Ind.(e)§**♦	35	½	100	1994	1⅝	J.Henry Schroder Bank

**Private placement. ‡With equity warrants. §Convertible. ♦Final terms. a) Non-callable. b) Once only call at par after 2 years. c) Purchase fund years 1-4 will retire maximum £45m of total issue. Fungible with existing bulldog issue, taking total to £500m. d) Warrants can be exercised into new ordinary shares of Olivetti. From 1992 holders of warrants who still hold bonds or buy them in the market can ask issuer to redeem bonds at par to pay for Olivetti shares. Part of L750bn issue, rest issued on domestic market. e) Yield to put 3.50%.

Treasuries improve modestly as CPI holds steady

By Karen Zagor in New York and Rachel Johnson in London

US TREASURY bonds rose only modestly yesterday in spite of better than expected economic news. In late trading the Treasury's benchmark 30-year bond was ⅛ of a point higher at 100⅞, yielding 8.06 per cent. At the short end of the yield curve, the two-year bond was unchanged, yielding 8.12 per cent.

The Federal Reserve refrained from open market operations and Fed funds were trading at 8¾ per cent at the end of the day. The dollar was somewhat softer in late afternoon trading in New York, where it changed hands at Y145.85 and DM1.9540, down from Y146.30 and DM1.9590 in early London trading.

The debt market received support from the consumer price index, unchanged in August, after rising by 0.2 per cent in both June and July, indicating that inflation slowed last month. However, excluding food and energy, the August index rose 0.2 per cent.

There was a cautiously positive tone in yesterday's junk bond market, where buyers were still looking for bargains after last week's heavy losses.

Allied Stores' junk issues were quoted about 5 points higher on news that Campeau Corporation had secured funding for its retail operations. But the gains were insignificant compared with the issue's sharp plunge last week.

Campeau Corporation under its agreement with Olympia & York has offered to buy back 75 per cent of the principal amount of junk bonds, debentures and preferred shares issued by Federated Department Stores and Allied stores at prices not exceeding their September 15 "indicated" prices. In effect, Olympia & York has guaranteed a floor price for the junk for the length of this offer.

■ THE UK government bond market opened ¼ point down yesterday in reaction to the widely-predicted launch of the European Investment Bank's £175m bulldog issue – the largest non-gilt issue to date. The £100m tap issue, adding to Bass's outstanding domestic debenture, also conspired to drain cash from the gilts market. The unchanged US CPI for August had no obvious effect on the UK market which on the day managed to confine its losses to around ¼ point.

■ THE WEAKENING dollar, coupled with better than predicted money supply figures for August (a 9.6 per cent year-on-year increase) gave the Japanese government bond market welcome impetus amid stronger late trading.

"Substantial numbers of people were covering short positions on the benchmark No.111 bond," said one analyst. The No.111 closed to yield 5.31 per cent, compared with 5.38 per cent on Monday, reflecting the short-term strength of the yen.

But many dealers were preferring to sit tight before the close of half-year accounts on September 30, so that the market remained "in fundamentally bad shape."

■ THE UNVEILING of the 1990 Dutch budget failed to stir much activity in the bond market, as most of the tax reduction details had been widely expected. Bond prices crept higher by an average of 15 to 20 cents, amid characteristically slow trading.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-29	+1/32	11.13	11.08	10.63
		9.750	1/98	96-20	-3/32	10.36	10.31	9.98
		9.000	10/08	96-09	+5/32	9.43	9.40	9.14
US TREASURY *		8.000	8/99	99-15	+3/32	8.08	8.13	8.17
		8.125	8/19	100-13	0/32	8.09	8.09	8.16
JAPAN	No 111	4.600	6/98	95.9291	+0.543	5.28	5.30	5.01
	No 2	5.700	3/07	104.8704	+0.096	5.17	5.15	4.98
GERMANY		6.750	6/99	98.9000	+0.200	6.90	6.91	6.76
FRANCE	BTAN	8.000	7/94	96.5063	+0.130	8.90	8.76	8.63
	OAT	8.125	5/99	97.1500	+0.180	8.56	8.49	8.44
CANADA *		9.500	10/98	99.8500	+0.100	9.52	9.51	9.44
NETHERLANDS		7.250	7/99	100.0500	+0.120	7.24	7.23	7.08
AUSTRALIA		12.000	7/99	93.3248	+0.489	13.23	13.10	13.01

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Commodities firms win CFTC exemption

By Katharine Campbell

THE vast proportion of UK commodities firms wishing to deal with US clients have taken advantage of the controversial exemption negotiated between American and British regulators earlier this year.

A total of 57 firms have applied to the US Commodity Futures Trading Commission for permission to market products to their American clientele, without going through the exercise of full CFTC authorisation.

Of those, 34 are confirmed, and the rest are expected to be approved by the commission shortly. There are 26 confirmed members from the Association of Futures Brokers & Dealers, and another 16 pending approval.

London metal dealers still fighting terms set down by the CFTC – notably the requirement to segregate customer funds – may be disappointed to learn that Cerro Metals (UK) Ltd, the firm of Mr Christopher Green, chairman of the LME, is among the confirmed institutions.

Many LME firms were holding back until the outcome of discussions between the AFBD and the CFTC, hoping to demonstrate the strength of feeling in London. "I'm most embarrassed" Mr Green said yesterday, explaining his predicament after a US concern took control of his firm.

Several metals firms have argued that the extra costs they would incur if segregation were mandatory would effectively prevent them from dealing on behalf of US clients.

Meanwhile Mr Christopher Sharples, chairman of the AFBD – whose firm has also obtained exemption, though for non LME-related business – defended the long list of applications, saying it demonstrated "the value of the deal in the first place." He added "But we are still determined to sort out the segregation issue".

One of the CFTC's major concerns has been the advantageous capital treatment accorded UK firms compared with their US competitors, and the commission is keen to obtain more information on that score.

Regulators stress need for global ties in securities

By Richard Waters in Venice

SECURITIES regulators from around the world yesterday agreed on the need for a far higher level of international co-operation to ensure orderly securities markets.

At the opening of the annual conference of the International Organisation of Securities Commissions (Iosco) in Venice, a series of leading regulators stressed the need forcloser co-operation to control cross-border securities business.

IOSCO CONFERENCE

They also singled out the need for substantial developments in the clearing and settlements systems around the world to reinforce the stability of the financial system.

In an apparent allusion to the settlements problems experienced in the past in Italy and the UK, Mr David Ruder, chairman of the US Securities and Exchange Commission, warned that countries that did not improve their settlement systems risked driving investors to other markets.

However, while agreeing on the need for more co-operation, there was less agreement on how this should be achieved.

In a keynote paper, Mr Günther Bröker, head of the financial markets division of the OECD, said that regulators faced with cross-border systems had a choice.

They could either rely on the regulator in the country where a particular broker-dealer is located ("host state" regulation), or they could insist that all overseas users of markets based in their jurisdiction should set up a local subsidiary to bring them directly under the control of the "home state" regulator.

While the former approach was generally supported by North American and European regulators, Mr Hideaki Yamashita, director of international affairs of the Tokyo Stock Exchange, took the opposite view.

Only by forcing firms to set up a subsidiary in the country where a market is based can they be supervised properly by that market's regulatory body, he said.

The conference will be presented with a number of reports from IOSCO working parties which recommend bringing international practices closer together on a number of fronts.

These include the capital requirements of securities firms, the way multinational equity offers are handled, and the application of accounting and auditing standards.

Tokyo SE row escalates

By Philip Stephens in Tokyo

THE BRITISH Government has extended retaliation against Japanese investment banks operating in London in order to step up pressure on the Tokyo Stock Exchange to admit two UK companies.

The Prime Minister, in Tokyo for a four day official visit, will voice her frustration at a meeting today with Mr Toshiki Kaifu at the Japanese authorities' continued delay in granting admission to the Tokyo market to Barclays de Zoete Wedd and James Capel.

She will make it clear that she regards the issue as a test of Japan's wider commitment to liberalise its domestic market, particularly in financial services. In the meantime, she has indicated that the Bank of England should refuse to add Japanese securities houses to its approved list of dealers in Treasury bills denominated in European Currency Units.

Two companies – Daiwa and Nomura – are thought to be anxious to be added to the list, which already includes around 20 British and foreign securities houses.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Sep 18 Index No.	Fri Sep 15 Index No.	Thu Sep 14 Index No.	Year ago (approx) Index No.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Sep 18	Sep 15	Sep 14	Sep 13	Sep 12	Year ago
FT-SE 100 SHARE INDEX	2361.5	-12.3	2379.4	2351.4	2373.8	2366.5	2382.0	2403.5	2397.6	1772.1

FIXED INTEREST

PRICE INDICES	Tue Sep 19	Day's change %	Mon Sep 18	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	117.21	+0.04	117.16	-	9.20
2 5-15 years	132.87	-0.04	132.93	-	9.44
3 Over 15 years	142.12	-0.13	142.31	-	11.44
4 Irredeemables	165.64	+0.02	165.60	-	8.83
5 All stocks	130.26	-0.03	130.29	-	9.71
Index-Linked					
6 Up to 5 years	140.14	-0.03	140.18	-	2.26
7 Over 5 years	138.68	-0.06	138.76	-	2.28
8 All stocks	138.67	-0.06	138.75	-	2.82
9 Debentures & Loans	112.04	+0.02	112.01	-	7.35
10 Preference	89.37	+0.11	89.28	-	4.24

AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 19	Mon Sep 18	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.75	9.73	9.94
2	15 years	9.49	9.46	9.59
3	25 years	9.26	9.25	9.28
4 Medium Coupons	5 years	10.72	10.72	10.34
5	15 years	9.76	9.74	9.84
6	25 years	9.38	9.37	9.55
7 High Coupons	5 years	10.84	10.83	10.47
8	15 years	9.96	9.95	9.96
9	25 years	9.54	9.53	9.52
10 Irredeemables		9.31	9.31	9.20
Index-Linked				
11 Inflation rate 5%	5yrs	3.12	3.10	3.39
12 Inflation rate 5%	Over 5 yrs	3.53	3.52	3.91
13 Inflation rate 10%	5 yrs	2.25	2.23	2.24
14 Inflation rate 10%	Over 5 yrs	3.35	3.34	3.73
15 Debs & Loans	5 years	13.17	12.78	11.59
16	15 years	12.02	11.94	11.32
17	25 years	11.46	11.44	11.18
18 Preference		10.31	10.31	10.18

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	47	46
Corporations, Dominion and Foreign Bonds	0	7	35
Industrials	299	505	790
Financial and Properties	102	152	412
Oils	21	40	30
Plantations	1	2	8
Mines	27	52	95
Others	59	81	113
Totals	521	886	1,529

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

VOLUMES in the options market revived modestly after Monday's dismal performance, taking total turnover to 36,261 contracts, divided between 19,829 calls and 16,432 puts.

Dealers reported reasonable two-way business in the FT-SE index options, as some investors bought insurance at current index levels, and others closed out older bearish positions.

Put series activity of 5,673 lots made up well over half the total turnover in the index, which was 8,731 contracts.

The FT-SE futures contract on Liffe, also quite active yesterday, helped to stimulate options business, as the cash market index fell as low as 2,350, before recovering to close 12.3 points down at 2,361.5.

Meanwhile, the busiest individual stock was Hanson, largely as a result of technical trades, notably a large put spread, where a client was purchasing May 220 puts, and selling February 220 puts. This took volumes in the February 220 puts to 1,350 lots. Overall turnover of 3,238 contracts was largely (2,300) in put series.

British Steel was almost equally busy, predominantly generated by the closing out of some large call positions, notably in the October 155 series, where 1,009 lots were recorded. Of the 3,131 contracts exchanged, 2,261 lots were accounted for by trades in call series.

A significant seller of puts emerged in the March 200 series of British Gas, which was the busiest strike, with 1,650 of the total 2,453 lots traded. Most of the Gas options (2,053) were puts.

Asda still continues to capture the speculator's imagination. Options turnover yesterday was again largely call related, with a total of 2,269 calls and just 110 puts. The September 220 calls were again the most active series, with 611 lots exchanged, in this case mostly representing the closing out of an existing position. British Petroleum business, which amounted to 1,454 options contracts, was also mostly in call series. Of a total of 1,454 lots, only 160 were puts. The busiest series was the October 300 calls, with 744 lots.

[illegible]

Local hero started in chicken house and ended in doghouse

Roderick Oram scours Lancaster, Pennsylvania for traces of International Signal's elusive James Guerin

MR JAMES GUERIN had a lot to be thankful for one night three years ago when he scrambled out of his crashed helicopter as it sank into the icy waters of the Susquehanna River.

Already a respected business leader in nearby Lancaster, he became a local hero for riding his company's helicopter in the hunt for a missing fisherman. "He thought an extra set of eyes would help in the search," his spokesman said, downplaying the spirit of derring-do marking Mr Guerin's career.

The incident helped make Mr Guerin's reputation as a man who gave generously of his time and considerable money to the community. It also enhanced the public image of International Signal and Control, a secretive defence electronics and munitions maker he had established locally in 1971.

His popularity peaked 18 months later when in October 1987, he merged ISC with Ferranti, the British electronics group, in a $1.5bn share swap. But now Ferranti must be wishing it had had another set of eyes when in searched ISC's books before the takeover. Indications in recent weeks of alleged fraud on a massive scale have brought Ferranti International Signal, as the merged company was called, to its knees.

Mr Guerin's problems are as great as Ferranti's. Over the past year or so his business empire has crashed as dramatically as his helicopter. It began to plummet when officers of United Chem- Con, a defence contractor in which he had a minority stake, were found guilty of defrauding the Pentagon of $16m (£10m).

With his business dealings under investigation by US authorities and many local people sceptical he could scramble out from under this crash, he upped stakes six weeks and moved his family to Florida.

"What took us 20 years to build has been significantly undermined in just 20 days," he said in a long letter to one of the Lancaster newspapers which he felt had hounded him out of town.

"For many people it was a sad day when he left for Florida," said Mr Luke Hess, director of communications at Lancaster's Chamber of Commerce. Not only will the community miss his philanthropy - an estimated $10m over the past seven years - but many people are worried about how many jobs Ferranti International Signal, one of the largest local employers, will have to cut to survive.

Mr Guerin had arrived in town in 1969 to manage a local manufacturing plant. New Jersey born and an electrical engineer by training, he had spent some years out west working in the defence industry. Two years later he started ISC in the basement of his home, with the first production line installed in a converted chicken house.

"Oh, the smell some days!" he reminisced to a local newspaper five years ago during a period of better press relations. "There was a horse in the back named Sam. We hung a sign on him - 'production control manager'. We knew if the clients thought that was funny, we'd want to do business."

ISC grew rapidly to the point its annual turnover was about $600m when it merged with Ferranti. Mr Guerin attributed its growth to the strong work ethic of local people and support of local banks such as Meridian.

In some ways the company is highly incongruous in the town of 57,000, an arms maker in the heart of Pennsylvania Dutch tourist country. Hershey, the chocolate making town, is nearby but so too is Gettysburg, scene of the bloodiest battle of the American Civil War.

Lancaster County is also home to many pacifist, intensely conservative Armish but they keep to themselves on their farms east of town, while ISC's plants are to the west.

A singer in his church choir, a large contributor to cultural and charitable causes, and a mentor to several minority men struggling to form their own companies, Mr Guerin became well known around town by the early 1980s. By then, he said, he felt that ISC was on a sound enough footing to allow him time for community activity.

"I have been a practising Christian for three decades and it forms the centre of our family life and strength," he said in his farewell-to-Lancaster letter. He and his wife of more than 30 years have five children.

It was one of those minority businessmen, Mr James Christian, president of United Chem-Con, who turned a harshly unfavourable light on Mr Guerin. In pleading guilty, he accused Mr Guerin of masterminding the $16m fraud, an allegation Mr Guerin strenuously denies.

"A father teaches his son how to use a gun to go hunting," Mr Guerin said in his recent letter to the newspapers. "In later years, the son murders someone with a gun. The son blames the father?"

Such was the secrecy surrounding ISC's work and Mr Guerin's business dealings, much has yet to be revealed about the problems engulfing Ferranti. Investigations by the company and the authorities on both sides of the Atlantic will shed a lot of light but so will law suits by several former senior employees of ISC.

So litigious have they become about wrongful dismissals, ISC could be renamed I Sue the Company. One person suing is Mr Jacq Van der Heyden, ISC's director of marketing in Europe from 1979 to 1985.

In court documents filed in Lancaster, he sheds light on the role he said Sir David Checketts played expediting matters for ISC. Before joining ISC in London, Sir David was a royal equerry.

Mr Guerin refuses to talk to the press, letting his last letter to Lancaster express his feelings for him. He ended the letter quoting a poem by a doctor. The last stanza reads:

Give the world the best you have,
and you'll get kicked in the mouth.
Give the world the best you have,
anyway.

Available options appear unappealing

By Hugo Dixon

THE FERRANTI fraud scandal may stem only from a particular subsidiary and a few contracts in that subsidiary, as the company's directors say. But the scandal still threatens to overwhelm the entire defence electronics group.

This is why a debate has now begun over how Ferranti's mainstream business can be shored up and the future employment of its 24,000 staff secured. There is particular concern in Scotland, where Ferranti has 7,000 employees in Edinburgh.

The scandal also threatens to derail the Government's policy of maintaining competition in the defence industry.

The Ministry of Defence had been hoping that Ferranti would act a strong alternative supplier of electronic systems to the new combine formed following the takeover of Plessey by the General Electric Company and Siemens of West Germany.

Meanwhile, the Labour Party has scented that it may be able to make political capital out of the affair. Mr Bryan Gould, its trade and industry spokesman, has argued that the Government should take a stake in the group to stop it falling into the hands of foreigners.

Rescue options range from such a partial nationalisation to shareholders injecting more funds but otherwise leaving things much as they are. Other options include merging Ferranti with a larger and stronger UK defence group or selling it to a foreign arms maker.

The snag, however, is that none of the available options look particularly appealing. Those that are attractive on political grounds are fraught with industrial problems, and vice versa.

The drawback of a partial nationalisation is that it goes against everything the Thatcher Government has been trying to achieve in its industrial policy. Although Ferranti was taken into public ownership in the 1970s after a previous dive in its financial position, it is difficult to see nationalisation as an option in the current political climate.

Selling Ferranti to another UK defence group is probably the most attractive option from a political point of view.

The problem is that the only two defence groups of sufficient clout are British Aerospace and GEC-Marconi, and the Ministry of Defence is already worried that both are too dominant in the defence arena. BAe competes with Ferranti in naval systems and missiles, while GEC-Marconi competes with it in avionics and sonars.

A foreign takeover would almost certainly create a political storm, although there might be less of a problem if the acquiring company was of European origin.

The Manufacturing Science and Finance Union, which represents some of Ferranti's engineering staff, has said it would prefer a British or European option. "We would be very concerned about an American or even a Japanese option," according to Mr Larry Brooke, the union's national officer.

The three most likely European acquirers are Thomson of France, Daimler-Benz of West Germany and Siemens. A link-up with Daimler would raise extreme monopoly fears, because the German company has already built up a giant arms business via its merger earlier this month with Messerschmitt-Bölkow-Blohm.

Monopoly problems would also be aired, though to a lesser extent, if Thomson turned out to be the rescuer. It has recently agreed to buy from Philips of the Netherlands most of its defence businesses. There could also be free-market concern within the UK government that Thomson is owned by the French government.

The snag with Siemens is that it has just acquired over half of Plessey, so there might be a feeling that it has already had more than its fair share. However, Siemens is not yet a major defence contractor, so there would not be monopoly fears. And the UK government might think that combining Ferranti with half of Plessey would provide a second pillar strong enough to compete with GEC-Marconi.

One way of sweetening a foreign takeover would be for a British defence business to be given the right to buy a continental defence company as a quid pro quo.

The final option would be for Ferranti's shareholders to put up more cash to shore up its balance sheet. The drawback is that their patience has already been worn thin over the past week and it is difficult to imagine them giving the current management another lease of life.

Scandal will have repercussions throughout the group's operations

By Hugo Dixon

THE ALLEGED £150m fraud at Ferranti's ISC Technologies subsidiary will have an impact on the rest of the group for two reasons.

First, it will create a hole in the group's finances. Ferranti thought it had net worth of £371m at the end of March, but the true figure would be only £221m if the final knock amounts to the full £150m.

The position is exacerbated by the fact that Ferranti's financial position was not particularly sound even before the alleged fraud emerged.

At the end of March, it owed its banks £227m. Almost all of this was borrowed short-term, which means that it would have had to be rolled over anyway during the current financial year.

These high short-term borrowings also meant that Ferranti's interest payments of £31m last financial year were less than three times reported operating profits. The company now believes these operating profits were inflated by the fraud, with the result that the interest cover would have been even less.

As a result of the alleged fraud, Ferranti has technically defaulted on many of its £227m loans. The banks are entitled to call these in – hence Ferranti's anxiety to persuade them to reschedule their debts.

It seems likely that the banks will agree, but not before they have exacted promises from Ferranti's board about the future structure of the business. They will probably not be happy with a gearing ratio of about 100 per cent and a low level of interest cover.

So a bank rescheduling can probably only be a short-term solution. Either an injection of new equity or sale of assets – both of which would be designed to reduce borrowings – would seem an essential part of any long-term rescue package.

The second reason the scandal threatens the rest of Ferranti's business is that it will make it more difficult for the group to win other defence contracts. The biggest worry is that it will lose the £1bn contract for supplying radar to the European Fighter Aircraft – a contract for which it was until recently considered the front-runner.

Ferranti is in a vulnerable position on this and other contracts not only because its reputation has been tarnished – something competitors will be quick to exploit. There will also be doubts over whether the group can deliver major long-term contracts on time and at the stated price, given its reduced financial strength.

Eurofighter consortium cautions on placing new orders

By David White in London and **David Goodhart** in Bonn

THE POTENTIAL effect of the Ferranti International Signal contracts affair on Ferranti's main business is shown by a warning from the Eurofighter consortium about the placing of orders with the British electronics concern.

Eurofighter, the Munich-based joint company in charge of the four-nation European Fighter Aircraft project, has urged its partners – including British Aerospace – to exercise caution in placing new contracts with Ferranti.

An initial message sent last Tuesday, the day after trading in Ferranti shares was suspended, announced the withdrawal of authorisation for sub-contracts with Ferranti "or any consortium of which Ferranti is a member."

However, this message, obtained by the magazine Jane's Defence Weekly, was subsequently qualified to make clear it was not an instruction to avoid dealing with Ferranti. Most contracts for the EFA are placed by the partner companies on behalf of Eurofighter.

Eurofighter said the measure was intended as a precaution "until the situation becomes clearer." Sub-contracts already placed would not be affected and negotiations on other contracts would continue. However, the move is indicative of the loss in confidence stemming from Ferranti's disclosure of irregularities in the overseas business of its ISC Technologies subsidiary.

Ferranti is a potential participant in many areas of the £22bn project, for which Britain, West Germany, Italy and Spain are funding development.

Its biggest stake in the bidding is for the radar, worth more than £1bn to the winning team. Ferranti was thought in July to be close to clinching the project, but the odds have since altered significantly.

The West German defence ministry is expected to use Ferranti's difficulties in its continuing campaign against the ECR90 designed by the British company. This is competing against an updated version of a US Hughes radar, proposed by a team headed by West Germany's AEG.

Mr Tom King, UK Defence Secretary, is due to discuss the deal with Mr Gerhard Stoltenberg, his West German counterpart, in Bielefeld tomorrow. Last month Britain sought to break the deadlock by agreeing to consider possible improvements to AEG's MSD-2000 proposal to match the ECR90 in meeting the RAF's performance requirements for range and stealth.

Its full report is not expected to be ready for several more weeks, however.

A proposal for the UK Ministry of Defence to bear any unforeseen costs arising from the Ferranti system was opposed by the UK Treasury.

Other EFA contracts in which Ferranti is involved in the bidding include the inertial navigation system. Ferranti is part of a German-led consortium competing with British Aerospace among others.

It is part of another German-led team for the aircraft's forward-looking infra-red (FLIR) targeting equipment. Other contracts for which it would be a contender include the control displays in the cockpit, the "head-up" display and the flight data recording system.

Better communication would install a little confidence

By Ian Hamilton Fazey, Northern Correspondent

IF ANYTHING united Ferranti's workforce yesterday, it was worry. It certainly was not a universal faith in the company's ability to pull through the crisis arising from its purchase of ISC.

One young worker summed it up as he arrived at Ferranti Computer Systems in the Greater Manchester suburb of Wythenshawe shortly after 7.30am: "Everyone's worried. People don't really know anything; we haven't seen the letter which the chairman is supposed to sent us all; we're still waiting for briefings; no one knows what's really going on or what the management is going to do or whether we can survive."

The letter, written by Sir Derek Alun-Jones to reassure employees, has not been sent directly to individuals but, according to a Ferranti spokesman, fed into the company's internal communications network.

"It should reach us by about the end of next week then," another employee observed. "Communications could be better. Management is open with us according to what the information is they want to tell us. Usually it's bad news only. When it's redundancies, they are imposed at the last minute and we only hear about orders when we haven't won them. They're afraid of us making a pay claim if we think they're doing well."

He added: "Sir Derek was pretty calm on the television. If I was in his shoes I'd have been shaking. But we're not just talking about the ISC problem but the loss of future orders for the whole group if confidence in Ferranti is shaken."

Ferranti operates on 13 different sites in Greater Manchester. Both the geographical spread and the wide range of activities – some secret – do not aid communications, but Mr Bob Parsons, a regional full-time official of MSF, the management, science and finance union, thinks that Ferranti has not been trying hard enough anyway.

"After Ferranti was rescued by the Government in 1974 it was obliged to have more participation and consultation. This fell off from 1979 onwards. They are not the worst management for industrial relations, but they are a long way from being the best," Mr Parsons said.

He thinks that whereas a company such as Pilkington could rely on support from its workforce and unions in a crisis, Ferranti will struggle.

He added: "This company has been declaring good profits while making our members redundant. How much more dangerous is it going to be for the workforce when up to £200m of assets have disappeared? That adds up to the last three years' profits."

At the factory gates there were no smiles. Most would not comment out of ignorance, although not all were untrusting of management: "Everybody's very worried for their jobs, but Alun-Jones reckons he's going to sort it out," one worker said.

Another commented: "People in my department are worried but hopeful that we'll all come through. We think we're strong enough. I have been here 15 years and personally I think this is a good company to work for. The vast majority are keeping their fingers crossed and waiting."

A systems commissioning engineer showed less faith: "I don't think the company is going to be able to pull through as easily as Sir Derek said on TV," he said. "The company may have sales of £1bn, but a £200m shortage in assets is a lot to make up without getting help from outside."

He expected many skilled people to end their personal uncertainty by voting with their feet.

"I am happy here, but I'll have no trouble finding work and that's what I'm thinking about at the moment. I don't expect the unions to achieve much. They have no clout because they have no ultimate weapon. Industrial action is always very unlikely because there's nothing here people would be prepared to sacrifice wages and salary for," he said.

Holmes à Court sells stake in Christies

By John Ridding

Mr Robert Holmes à Court, the Australian businessman has sold his 7 per cent stake in Christies International, the auctioneer, to a mystery buyer for £34m.

According to a spokesman for Mr Holmes à Court, the stake was sold to a Japanese stockbroking firm, suggesting that the ultimate owner is a Japanese investor. Under UK company law, the purchaser will have to reveal itself by next week if it has more than 5 per cent of Christies shares.

Mr Holmes à Court amassed the stake through market purchases since the beginning of the year. The sale price represents a profit of over £10m.

A spokesman for Christies said that "we were comfortable with Mr Holmes à Court as a shareholder, but are happy if the stake has gone to a long term investor."

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It represents an outstanding result for Glaxo shareholders and a major achievement by its employees throughout the world.

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Glaxo remains committed to the heavy investment necessary to stay at the leading edge of medical and pharmaceutical progress.

FINANCIAL HIGHLIGHTS – YEAR TO 30TH JUNE 1989

	1989 Unaudited	1988	% increase
Turnover	£2570m	£2059m	25
Trading Profit	£876m	£764m	15
Profit Before Tax	£1006m	£832m	21
Earnings Per Share	92.4p	77.1p	20
Dividends Per Share	35.0p	25.0p	40
Research and Development	£323m	£230m	40
Capital Expenditure	£373m	£275m	36

Research and Development spending of £323m in the year includes a major clinical development programme aimed at bringing a range of promising new medicines to the market.

This remains a key priority for the immediate future, together with a commitment to realising the full potential of the Group's present range of products — one of the world's most valuable pharmaceutical portfolios.

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Copies of the 1989 Annual Report and Accounts will be available from October 13th from: The Secretary (FT), Glaxo Holdings p.l.c., Lansdowne House, Berkeley Square, London W1X 6BP.

The contents of this advertisement, for which the Directors of Glaxo Holdings p.l.c. are solely responsible, have been approved for the purpose of section 57 of The Financial Services Act 1986 by an authorised person.

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UK COMPANY NEWS

Exceptionals are Really Useful

By John Ridding

EXCEPTIONAL GAINS from property sales and continued strong receipts from the musical Cats lifted Mr Andrew Lloyd Webber's Really Useful Group to pre-tax profits of £7.4m for the year to June 30, an increase of 19.5 per cent.

Stripping out the exceptionals, which accrued from the sale of its planned new office site and the sale and leaseback of its existing headquarters, the performance was less useful with operating profit slipping from £5.86m to £5.7m.

Mr John Whitney, who has replaced Mr Brian Brolly as managing director, said receipts from Cats had held up more strongly that anticipated.

Total box office receipts from the production amounted to £73m during the period, compared with £36m for Phantom of the Opera and £1.9m for Aspects of Love, the newest production.

Global receipts from Cats now amount to over £500m, and Mr Whitney said that it was a priority of the group to use the rights from such successful productions to achieve further expansion.

In practice this means the extension of its creative assets into film, television and recorded music.

The group is currently in negotiations concerning a "substantial" acquisition of a US television production company and is discussing how to turn Phantom into a film.

The group unsuccessfully applied for one of the new London independent radio franchises but will try again when more are advertised.

Mr Whitney said that he would consider being part of a consortium to bid for a new ITV franchise in 1992.

The Palace Theatre continued to benefit from the success of Les Miserables and has now completed its exterior refurbishment. A reserve of £500,000 has been taken for the cost of interior refurbishment and this caused a reduction in profits at the the theatre management division.

Group turnover for the period increased from £24.4m to £28.6m. Earnings per share rose from 34.9p to 45.4p and there is a full year dividend of 17p (15p) with a final of 12p.

● COMMENT

Cats obviously has more than nine lives, providing again the lion's share of theatre profits. But the fact that it gave a stronger than expected performance merely sharpens the problem of compensation when its earnings start to fall. In addition, yesterday's exceptionals will not be around to flatter the pre-tax line. Part of the answer lies in the new shows. Aspects of Love already has advance bookings of £5m. In addition, the more aggressive use of rights is a sensible way of reducing the company's reliance on Mr Lloyd Webber's ability to deliver blockbusters. But moves into television production and libraries is a risky business as demonstrated by TVS'acquisition of MTM. Really Useful has not yet shown it can make successful acquisitions and the sort of company it is looking at is very hard to value. On pre-tax forecasts of £8.25m for the current year shares are on a fairly generous prospective multiple of 13.5.

High interest rates limit Bowthorpe to £21m

By John Ridding

THE IMPACT of higher interest rates on its domestic appliance and housebuilding customers combined with weak defence markets to limit Bowthorpe Holdings to a 12 per cent pre-tax profit increase at the halfway mark.

The improvement, from £18.83m to £21m, was lower than the market was expecting which, combined with the company's forecast of a "more modest" rate of growth, sent the shares down 18p to 217p.

Difficult market conditions in the period to June 30 meant that UK trading profits fell from £5.8m to £5.6m. Overseas, however, the picture was more encouraging with a 36 per cent increase to £12.35m.

Turnover rose to £110.65m (£87.33m) with about half of the rise coming from acquisitions. Overall, margins on sales slipped from 17 per cent to 16.2 per cent. Earnings per share rose from 6.87p to 7.56p and the interim dividend is increased to 1.41p (1.26p).

Mr John Westhead, managing director, said the slowdown in the UK was not dramatic and the group was taking steps to ease the adverse impact.

● COMMENT

Given the problems evident at other electronic components manufacturers, yesterday's results should not have surprised the market as they did. But Bowthorpe's impressive performance over recent years evidently led some in the City to believe it could walk on water. Undoubtedly the numbers would have been much worse but for the geographic spread of its businesses and the fact that no single area of customer activity represents more than 9 per cent of sales. This should cause concern to rival, UK-biased companies but means that Bowthorpe remains fairly protected. Growth will, however, be constrained by the end of payments from its German fire insurance claim and pre-tax profits are likely only to reach £44m for the full year. With slowing growth and difficult markets, the shares are fully priced on a prospective multiple of 13.

Iceland over £15m but Bejam proving difficult to digest

By John Thornhill

ICELAND Frozen Foods saw interim pre-tax profits vault from £4.11m to £15.11m as it included first half results from Bejam, the rival food retail chain it acquired in January.

Turnover rose from £95.19m to £321.91m in the 26 weeks to July 1.

Mr Malcolm Walker, chairman and chief executive, said sales at Bejam were much worse than expected, showing a like-for-like decline of 10 per cent. However, business was picking up and the refitted stores were increasing sales.

Iceland has refitted 63 Bejam stores and 123 should be completed by the year end. The company plans to complete a similar number of refits by the end of 1990.

Mr Walker said the integration of Bejam was now largely complete and this had been achieved with few problems, except in the warehousing operations where serious disruption to store deliveries and product availability began in May. Sales were lost and overhead costs incurred, but the situation was steadily improving and an acceptable service was currently being provided.

"It is very difficult to put a pound sign against the disruption, but it obviously upset a lot of customers," Mr Bernard Leigh, finance director, said.

The product range of the two companies was consolidated by the end of May and the Iceland brand is being strengthened in the south of England through an advertising campaign.

Mr Walker said Iceland's original stores continued to perform well and showed a 6 per cent increase in sales on a like-for-like basis. That level had improved since the end of the half year, and was currently running at 10 per cent, he said.

Earnings per share rose only marginally from 9.64p to 9.77p as a result of the increased number of shares in issue. The interim dividend is up 17 per cent to 2p (1.7p).

● COMMENT

It comes as no surprise that Bejam has proved hard to digest and the process was apparently not helped by the marked reluctance – to say the least – of some of Bejam's employees at the changeover. Moreover, it will take some time yet for the Bejam boost to feed through fully, as the refitting programme will extend through most of next year. Some analysts were also concerned at the large asset writedowns that were made after the acquisition and were cautious at the risks involved in the integration process. Nonetheless, they suggested that profits and, more importantly, earnings should pick up quickly in the second half. Iceland should increase pre-tax profits to £37m in the year, and if they reach that level, the finance director has been promised the chairman's Superman tie. Iceland's shares, on a prospective multiple of 16, are probably fully valued until a clearer picture has been gained of the benefits to be derived from Bejam.

Salmonella scare hits Everest Foods

The recent salmonella scare hit profits at Everest Foods, with a decline of some 35 per cent over the year to May 31 1989. However, by that date the poultry division was returning to profit.

From sales of £19.52m (£17.77m) the pre-tax return was £1.58m, compared with £2.42m, after an exceptional £208,000 depreciation adjustment.

Earnings were again 17.3p and the recommended final dividend is 3.5p for a total of 5.5p, the same as would have been paid last time had the company been on the USM for the full year.

Group debt equity ratio was 76 per cent, but that should reduce substantially over the current year. The ratio rose because the salmonella scare hit the company's share price to the extent that it had to pay cash, instead of offering shares, to complete the acquisition of Ashfords.

Manganese Bronze

Manganese Bronze Holdings is paying £1m cash for Homer Engineering and Plastics. The price represents the book value of assets of the company.

Silentnight drops off to £3.8m

By Andrew Bolger

SILENTNIGHT Holdings, the bed and furniture manufacturer, announced an 12.5 per cent drop to £3.8m in profits for the first half year of 1989, but insisted that was not the result of a drop in consumer demand.

Mr Christopher Burnett, chief executive, said these "particularly disappointing" results had come at a time when British sales were up 10 per cent on the corresponding period last year, and blamed operational problems in each of its three divisions.

In furniture, the group launched a suite called Melody, which proved a great success but used a fabric from the US which was on extended delivery. The huge bias towards one product also caused manufacturing problems.

Mr Burnett said: "While we had the orders, we were unable to deliver, and the factory operated extremely inefficiently. In an attempt to alleviate the problem we were, for quite some time, airfreighting the fabric, which added substantially to our costs.

"These problems have now been solved, but the impact of profits in the first half amounted to nearly £1m. The factory is now working flat out to reduce the backlog of orders."

In beds, Mr Burnett said that the company had lost almost £500,000 in setting up a direct delivery system to customers of major retailers, including Lowndes Queensway. The company is now delivering directly 6,000 beds each week, 2,000 of them for Queensway.

"The rapid build-up of this service has been very costly and the demands it has placed on our management resources have, in the short term, affected the overall efficiency of the business," Mr Burnett said. "Meeting the delivery commitment to Queensway has often meant that we have been despatching less full loads, which has also added to our costs."

In the cabinet division, a fire at the Westminster Pine plant in north Wales brought the business to a standstill.

The fire is the subject of a consequential loss claim, but no contribution has been made in the first-half profits.

Mr Burnett estimated that the three problems had cut first-half profits by about £1.75m. "If we had achieved the same return on sales as in 1988, the first-half profits would have been £5.5m."

The results included the first contribution from SNE Bedding, a New England company which Silentnight bought in March for an initial £5.6m. Boosted by that acquisition, group turnover increased 25 per cent to £72.5m.

The interim dividend is maintained at 2.25p with earnings per share down to 5.46p (6.09).

● COMMENT

After a string of poor results from retailers, the City was half expecting bad news from a supplier of big-ticket consumer items such as Silentnight. What came as an unpleasant surprise was the combination of lower profits with increased sales. Mr Burnett was admirably open about the difficulties, and the company seems to have been genuinely unlucky. However, it does seem to have bitten off a huge management problem with its pioneering direct-delivery system. Full-year profits could be as low as £10m with earnings about 14p. With shares down 1p at 138p yesterday, that puts the Silentnight on a multiple of about 10 – modest, but not overly so, given that we may still be in the early stages of a consumer spending downturn.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Beauford	int	1.68	-	1.4	-	4.8
Bemrose	int	4.3	Nov 10	4	-	11
Bowthorpe	int	1.41	Dec 15	1.26	-	4
Cala	fin	2.25†	Nov 4	1.9	3.3	2.75
Canning (W)	int	2.8†	-	1.5	-	6.5
Clinton Cards §	int	1.2	Nov 14	1	-	3.53
Clyde Petrol	int	0.5	Oct 31	0.5	-	1
Colorgraphic §	int	1.84	-	1.66	-	5.71
Cresta Hldgs	int	0.6†	Oct 31	0.5	-	1.5
Davis (Godfrey)	int	2.6	Oct 27	2.33	-	7
Dean & Bowes §	int	2.75	Oct 20	2	-	5
Domestic & Gen §	fin	5.5	Nov 29	-	8.25	-
Everest Foods §	fin	3.5	Dec 14	-	5.5	-
Executex Clothes	int	nil	-	1.5	-	1.5
Gablecl §	int	2.6	-	2.6	-	4
Garton Eng	int	1.75	Dec 1	1.5	-	5.25
Glaxo	fin	25	Nov 10	18	35	25
Hewitt (J)	int	1	Nov 1	1	-	2
Iceland Foods	int	2†	Nov 24	1.7	-	5.25
Jayes §	int	1.9	Dec 29	-	-	0.9
Merivale Moore	fin	7.75	-	4.75	10.5	7
Really Useful	int	12	Nov 6	10.5	17	15
RPS Group §	int	1.2†	Oct 31	1	-	2.2
Silentnight	int	2.25	Jan 2	2.25	-	7
Tarmac	int	3	Nov 30	2.5	-	10
Tharsis	int	3♥	-	2	-	6
Trinity Intl	int	2.3	Oct 27	1.8	-	6
Wassall	int	0.75	Nov 9	-	-	1
Western Motor	int	6†	-	3.5	-	12

Dividends shown pence per share net except where otherwise stated. ♥Gross *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

Western Motor rises £1m but issues warning on margins

A £1m profit increase was achieved by Western Motor Holdings in the first half of 1989, but directors said pressures on volumes and margins will have a greater impact on the second half.

Sales totalled £147m (£121.8m) and pre-tax profit £5.96m (£4.96m), including net interest received of £806,000 (£264,000).

Earnings per share worked through at 37.5p (35.6p) and the interim dividend is lifted from 3.5p to 6p on an increased capital.

Discussions with the management buy-out team, announced midway through August, were continuing and any proposals will be announced by early November.

The team was currently considering a number of financing proposals.

The shares yesterday fell 55p to 783p.

NEWS DIGEST

Hoylake denied in Kansas

By Nikki Tait

THE COURTS in Kansas have denied a motion for a preliminary injunction sought by Hoylake, the consortium headed by Sir James Goldsmith which is bidding for BAT Industries, as part of its federal suits against the state insurance commissioners.

Hoylake has now been denied such injunctions in six of the nine states where it is suing the commissioners.

The bidder has already lodged various appeals - including one in California. However, there have also been suggestions that Hoylake might now drop its federal actions against the insurance commissioners - partly in the wake of last Friday's decision by the Takeover Panel concerning the bid timetable. This is still subject to appeal by BAT.

Beauford advances to £1.3m

Beauford, the plant and machine tool manufacturer, doubled pre-tax profits for the six months to June 30 to £1.3m, against £642,000.

The figures were helped by the acquisitions of Dale Group and Bradford Cylinders, which were said to be performing in line with expectations.

Turnover was £14.93m (£6.65m). Interest charges increased to £206,000 (£9,000). Earnings per share were 8.1p (6.3p) and the interim dividend is raised to 1.68p (1.4p).

Improvement at Tharsis

Taxable profits of £425,000 were reported by Tharsis, the pyrites export and property dealing group, in the six months to end-June.

The improvement from the £378,000 achieved in the same period of 1988 came on turnover of £1.11m (£2.23m). Pyrites export sal;es tonnage amounted to 49,127 (91,484).

The interim dividend is raised 1p to 3p, payable from earnings of 14.6p (10.7p) per share.

Loss of £0.4m at J Hewitt

J Hewitt & Son (Fenton), which makes night storage bricks and refractories for potteries and is facing an extensive overhaul, incurred a pre-tax loss of £393,000 in the half-year to June 30.

The outcome compared with a corresponding profit of £121,00 in 1988 and was struck on turnover of £4.25m (£4.81m) and after a provision of £181,000 for reorganisation costs. Earnings of 1.7p in the first half of 1988 dropped to a loss of 11p this time. However, the interim dividend of 1p is maintained.

Mr Christopher Nurse, a former merchant banker, has taken a 14.2 per cent stake in the Stoke-on-Trent company and was appointed chief executive in July.

Security printing behind Bemrose rise

Good results from its security printing activities helped Bemrose Corporation achieve an 11 per cent increase in interim pre-tax profits to £1.61m, against £1.45m.

Turnover for the Derby-based printer in the six months to July 1 rose from £20.92m to £22.13m.

The pre-tax figure was struck after its £160,000 share of the US company's loss, against a profit last time of £76,000. Earnings per share were 6.39p (6.45p) and the interim dividend is raised to 4.3p (4p).

Dean & Bowes more than doubled profit

The continued upgrading and refurbishment by licenced trades and hoteliers was reflected in interim results from USM-quoted Dean & Bowes Group.

Pre-tax profits for the six months to June 30 more than doubled from £605,000 to £1.5m on turnover ahead from £4.98m to £13.27m.

Mr Stephen Dean, chairman, said the record order books reported in his last annual statement had now flowed through to turnover. The market remained reasonably buoyant although some brewers were considering their situation in the light of the Monopolies and Mergers Commission report. The hotel refurbishment market remained strong.

Earnings per share increased 36 per cent from 5.35p to 7.3p; the interim dividend is raised to 2.75p (2p).

Restructuring planned at Cresta

Cresta Holdings, the Isle of Man-based conglomerate, announced taxable profits up from £1.53m to £2.76m for the first half of 1989.

The group also announced a fundamental restructuring of its activities to concentrate on the care sector.

Cresta will have seven nursing homes with a total of 350 beds by early next year. It expects to have 1,000 beds in use by the end of 1990.

Turnover improved slightly to £21.70m (£21.18m). Earnings per share were 5.6p (6.6p), reflecting a near-doubling of shares in issue to finance acquisitions. The interim dividend is lifted 0.1p to 0.6p.

Strong growth at Domestic & General

In its first full year since flotation on the USM in June 1988, Domestic & General Group, the appliance breakdown insurance company, lifted taxable profits by 78 per cent.

Mr Martin Copley, chairman, said the result – profits rose from a restated £1.32m to £2.39m – "exceeded all our expectations."

Earnings per 10p share expanded to 21.5p (14.94p) and a proposed final dividend of 5.5p makes 8.25p for the year.

New England lifted by property sale

Interim pre-tax profits of New England Properties advanced from £544,000 to £2.17m in the six months to June 30.

Gross profit amounted to £2.78m (£1.04m), and arose from property rental £551,000, management and financial services £363,000 and property trading and development £1.87m.

The last-mentioned figure included a profit on sale of property of £2.05m (£504,000).

Earnings per 5p share were 2.1p (0.5p). There is no interim dividend but it was the current intention to propose a final of 1p (0.3p). The shares are quoted on the USM.

Clinton posts 21% advance to £182,000

In spite of the downturn in consumer spending Clinton Cards achieved a 21 per cent improvement in pre-tax profits in the half year to July 29.

The figure of £182,000 (£151,000) came from turnover up from £7.63m to £12.66m. Net interest payable rose to £223,000 (£15,000) and earnings per 10p share rose to 1.28p (0.8p).

With 135 shops trading at the end of the first half the company said it was well positioned for the second half when sales were traditionally much higher.

The interim dividend is raised to 1.2p (1p).

Bowater bid could be recommended

Norton Opax, the specialist print and packaging group, is today expected to announce its recommendation of Bowater's £382m offer for the company. Talks between the two parties have continued over the weekend and for the past two days.

Norton's board will meet at 11am today to consider its position and will contact Bowater to inform the packaging and industrial group of its decision.

This will probably lead to an announcement that it is recommending the offer and that it will send shareholders a letter informing them of its reasons for agreeing.

Acquisitions lift Wassall to £1.04m

Acquisitions helped Wassall, the office furniture manufacturer, achieve pre-tax profits of £1.04m for the first half of 1989 – more than double the £502,000 for the previous 11 months.

The figures included a full six months from Hille Ergonom, the office seating manufacturer and Antler, the luggage maker acquired in June.

Turnover was £15.97m, against £1.77m for the six months to the end of July 1988 when the taxable profit was £15,000. Earnings per share came out at 3.96p (0.84p). An interim dividend of 0.75p is being paid this time.

A copy of this document, which comprises listing particulars in relation to Drayton Asia Trust plc (the "Company") given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in accordance with Section 149 of that Act.

Application has been made to the Council of The Stock Exchange for all the Ordinary Shares and Trust Warrants of the Company issued, and now being issued, to be admitted to the Official List. It is expected that dealings in the Ordinary Shares (with Trust Warrants attached) will commence on Friday, 6th October, 1989. Dealings will commence in the Ordinary Shares and Trust Warrants separately on Thursday, 2nd November, 1989.

The Directors of the Company (the "Directors"), whose names appear under "Directors, Managers and Advisers", accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Drayton Asia Trust plc

(Incorporated in England and Wales under the Companies Act 1985. Registered No. 2410504)

Offer for Subscription
by
Barclays de Zoete Wedd Limited
of
100,000,000 Ordinary Shares of 10p each
(with 20,000,000 Trust Warrants attached) at
100p per Share
payable in full on application

The Offer has been fully underwritten by Barclays de Zoete Wedd Limited. The Directors are aware of intended applications for Ordinary Shares (with Trust Warrants attached) of which the Company will accept a minimum of 75,000,000 representing 75 per cent. of the Ordinary Shares (with Trust Warrants attached) now being offered.

SHARE CAPITAL

Authorised		Issued and to be issued fully paid
£12,060,000	in Ordinary Shares of 10p each	£10,050,000

INDEBTEDNESS

As at the date of this document, neither the Company nor its subsidiary has any loan capital (including term loans) outstanding, or created but unissued, or any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The application list for the Ordinary Shares (with Trust Warrants attached) now being offered for subscription will open at 10.00am on Friday 29th September, 1989 and may be closed at any time thereafter. The procedure for application and an application form are set out at the end of this document.

DEFINITIONS

In this document the following words and expressions shall bear the following meanings except where the context otherwise requires:–

"Company" or "Drayton Asia Trust"	Drayton Asia Trust plc and where the context requires its subsidiary Drayton Asia Finance Limited
"Directors" or "Board"	the Directors of the Company
"MIM"	MIM Limited
"BZW"	Barclays de Zoete Wedd Limited
"Offer"	the offer for subscription of Ordinary Shares (with Trust Warrants attached) contained in this document
"Offer Price"	100p per Ordinary Share (with Trust Warrants attached on the basis of one Trust Warrant for every five Ordinary Shares).
"Ordinary Shares"	the ordinary shares of 10p each in the Company as described in this document
"Trust Warrants"	the warrants to subscribe for Ordinary Shares issued on the basis of one Trust Warrant for five Ordinary Shares as described in this document
"Application Form"	the application form in respect of the Offer attached hereto
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"ASEAN"	Association of South East Asian Nations – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Papua New Guinea is an associate member
"bn"	one thousand million
"DTI"	the Department of Trade and Industry
"GDP"	Gross Domestic Product
"GNP"	Gross National Product
"NIEs"	Newly Industrialised Economies – Hong Kong, Singapore, South Korea and Taiwan
"OECD"	Organisation for Economic Cooperation and Development

PROPOSED TIMETABLE

Latest time and date for receipt of applications	10.00am on Friday, 29th September, 1989
Basis of allocation to be announced by	9.00am on Monday, 2nd October, 1989
Renounceable letters of allotment to be despatched on	Thursday, 5th October, 1989
Dealings in the Ordinary Shares (with Trust Warrants attached) to commence on	9.00am on Friday, 6th October, 1989
Latest time and date for splitting renounceable letters of allotment	3.00pm on Wednesday, 1st November, 1989
Dealings to commence in the Ordinary Shares and the Trust Warrants separately on	Thursday, 2nd November, 1989
Latest time and date for registration of renunciation	3.00pm on Friday, 3rd November, 1989
Despatch of Ordinary Share certificates and Trust Warrant certificates by	Monday, 4th December, 1989

OFFER STATISTICS

Number of Ordinary Shares in issue following the Offer	100,500,000
Number of Trust Warrants in issue following the Offer	20,100,000
Offer Price per Ordinary Share (with Trust Warrants attached)	100p
Estimated net proceeds of the Offer	£97.5 million
Estimated net asset value per Ordinary Share*	97.5p

*Before the exercise of Trust Warrants

DIRECTORS, MANAGERS AND ADVISERS

Directors

Aston Jal Engineer (Chairman)	11 Devonshire Square, London EC2M 4YR
Nicholas George	Ebbgate House, 2 Swan Lane, London EC4R 3TS
Chi Chent Huang ("Morris")	20 F-2,658 Tun-Hua, S Road, 10661, Taipei, Republic of China
Francis Bruce Pike	11 Devonshire Square, London EC2M 4YR
Andrew Reeve Waldron Smithers	Sedgwick House, The Sedgwick Centre, London E1 8DX

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Solicitors to the Issue
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Reporting Accountants & Auditors
Coopers and Lybrand
Chartered Accountants
Plumtree Court
London EC4A 4HT

Registrars and Receiving Agents
Ravensbourne Registration
Services Limited
Bourne House
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Beckenham
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PART I

INTRODUCTION

Drayton Asia Trust is a new investment trust company which will be listed on The Stock Exchange. The objective of the Company is to provide long term capital growth for its shareholders by investing in the developing economies of Asia, which the Directors believe offer great potential for capital appreciation.

INVESTMENT MANAGER

The Company will be managed by MIM, which has extensive experience of managing investment trust companies, and was named "Investment Trust Management Group of the Year" by the publication "What Investment" in both 1987 and 1988. Since 1962, MIM has been the manager of Drayton Far Eastern Trust. This trust invests in both Japan and Asia and is the best performing trust in its sector over the ten, five and one year periods to 30th June, 1989, according to the Association of Investment Trust Companies. The same source shows that over the ten year period, Drayton Far Eastern Trust increased its net asset value by over 11 times which made it the best performing investment trust as measured by net asset value in any sector.

Drayton Asia Trust will differ from Drayton Far Eastern Trust in that it will have no direct exposure to Japanese and Australian equities. However, the investment manager may invest in Japanese equity warrants as described in the paragraph "Use of Equity Warrants". The Directors believe that Asian equity markets now have sufficient merits in their own right to justify a separate investment vehicle.

In addition to investment trusts, MIM also has experience in managing unit trusts which invest in the region. MIM launched the first DTI approved unit trust for investment in Hong Kong in 1980 and in 1981 acted as an adviser to the Korea International Trust, the first vehicle for foreign investment in Korea. In 1987, MIM launched the first DTI approved ASEAN unit trust, which invests only in the ASEAN markets – Singapore, Malaysia, Thailand, Indonesia and the Philippines.

The performance of MIM's Asian unit trusts has also been commendable: in the year to 1st August, 1989, according to figures supplied by the publication "Planned Savings", all three of MIM's overall Asian unit trusts were in the first quartile in their sector.

An integral part of MIM's strong investment performance is its experienced team of professional managers. MIM has twelve investment managers specialising in these markets of whom the four senior managers have an aggregate of 40 years' experience of investing in the Far Eastern markets for MIM. The UK and Tokyo based fund managers make regular visits to Asian countries, seeing in aggregate over 200 companies each year. MIM also has offices in Hong Kong, Singapore and Taiwan.

INVESTMENT BACKGROUND

The Directors are optimistic about the long term investment opportunities in Asian equity markets. Asian countries have an exceptional record of economic growth over the past decade. Over the period between 1979 and 1988, Asian countries achieved an average annual rate of expansion of 6.3 per cent. in real terms compared with 2.7 per cent. for the OECD countries. In the past ten years, the NIEs – Hong Kong, Singapore, South Korea and Taiwan – have produced the highest levels of growth, often achieving double digit annual increases, led by the manufacturing and export sectors.

Asian Real GDP Growth Rates Compared to the OECD (1979-1988)

	%
Hong Kong	8.4
Taiwan	8.0
South Korea	7.6
Singapore	7.2
Thailand	6.3
Malaysia	5.7
Indonesia	5.1
Philippines	2.2
Average	6.3
OECD	2.7

Sources: Bankers Trust Brokerage Research
IMF World Series
Indonesia State Budget

Over the next decade, the Directors believe that the less developed countries, such as Malaysia, Thailand, the Philippines and Indonesia, have the potential to repeat the performance of the NIEs by moving into those areas of labour intensive manufacturing in which the NIEs are becoming less competitive. As these less developed countries reach the level of industrialisation now enjoyed by the NIEs, the Directors expect to see a similar pattern of industrialisation elsewhere in the region, particularly in India and possibly in Indochina. The NIEs themselves, while retaining a strong and competitive manufacturing base, have established new dynamics for economic performance: South Korea and Taiwan are now focusing on the expansion of domestic demand; Hong Kong is becoming a service centre for China; and Singapore is continuing to develop as a trading, business and financial services centre for the ASEAN region.

Asian countries are also benefiting from the effects of the appreciation of the Japanese yen and the structural changes in the Japanese economy, in particular the expansion of domestic demand. The appreciation of the yen has not only made the Asian manufacturing industry relatively more competitive, but has encouraged Japanese companies to transfer labour intensive industry overseas. Asia's low labour costs and tax incentives have proved a magnet for Japanese capital. Japanese direct investment in Asia has risen from US$1.2bn in 1980 to US$5.5bn in 1988. Asian countries' exports to Japan are also growing rapidly; exports in local currency terms from Taiwan, Hong Kong and Singapore to Japan rose by 14.5 per cent., 49.8 per cent. and 25.3 per cent. respectively in 1988, compared with 1987.

Since the introduction of the "open door" economic policy in 1979, China has achieved real GNP growth of nearly ten per cent. per annum, with attendant benefits for neighbouring Asian countries. However, as a result of the recent political and economic turmoil, the Directors believe that it may not be possible for China to achieve the same rate of economic growth in future, although the Chinese government has stated that the "open door" economic policy will continue. Against this background the outlook for the performance of the Hong Kong economy may be less favourable than in the past, but the Directors believe that the attractive prospects for the Asian region have not been materially diminished by these events.

As rapid economic development brings prosperity to Asian countries, regional trade is likely to become more important, thus reducing their dependence on the United States. Trade between Singapore, South Korea, Taiwan, Thailand, the Philippines, Malaysia and Indonesia amounted to US$49.7bn in 1988 compared to US$23.2bn in 1981.

Although the Directors are confident that the region will achieve the potential they have indicated this is subject to political and other risks that are described in the paragraph "Risk Factors".

Asian Equity Markets

The past decade has witnessed the expansion and development of Asia's equity markets and the introduction of indirect investment vehicles in the markets that are still closed to foreign investors. Ten years ago, for example, there was no vehicle for investment in the Korean equity markets. There are currently in excess of US$3bn of investment instruments offering exposure to Korean equities. Other markets which have allowed direct foreign participation have grown to a level where investment is now a realistic possibility, such as Thailand, where the stockmarket capitalisation has expanded nearly ten-fold between 1981 and the end of 1988. Over the same period the combined stockmarket capitalisation of Singapore, Thailand, Malaysia, South Korea, Hong Kong, Taiwan and the Philippines has risen nearly four-fold, to stand at US$390bn. Over this period the number of listed companies has risen by over 20 per cent. to 1,869 and monthly trading volume has risen by over 1,900 per cent. to US$33.8bn.

	Stockmarket Capitalisation			Monthly Trading Volume		
	1980 (US$bn)	1988 (US$bn)		1980 (US$m)	1988 (US$m)	
Singapore	24.5	63.1		312.2	541.9	
Thailand	1.2	8.8		26.6	514.5	
Malaysia	23.0	36.4		210.2	210.2	
South Korea	4.4	93.0		162.9	6,978.0	
Hong Kong	40.8	74.3		551.1	2,128.5	
Taiwan	6.1	120.1		375.1	23,415.0	
Philippines	2.1	4.3		28.5	32.0	
Total	102.1	390.0	+282.0%	1,666.6	33,820.1	+1,929.3%
Number of Listed Companies	1,531	1,869	+22.1%			

Source: Bankers Trust Brokerage Research
Year end stockmarket capitalisations and exchange rates.

Drayton Asia Trust plc

The Directors believe that the stockmarket capitalisation of the Asian markets will continue to expand. Several Asian governments have introduced measures to encourage local companies to acquire a stockmarket listing as an alternative to debt financing. Privatisation is also favoured, notably in South Korea, the Philippines, Taiwan, Thailand, Malaysia and Singapore which will not only expand the size of the markets but will give governments a vested interest in maintaining healthy equity markets. The high savings rates prevalent in Asian countries will give support to the expansion of their equity markets, particularly in countries where savings exceed domestic investment requirements, such as Taiwan, South Korea and Singapore.

In recent years, Asian companies have begun to issue equity warrants. The current market capitalisation of the Hong Kong equity warrant market already amounts to US$1.7 bn. and Singapore's to US$1.0 bn. However, these are still very small in comparison with the more developed Japanese equity warrant market, with its market capitalisation of approximately US$25 bn. Two Thai companies have issued equity warrants in 1989 and the first Korean equity warrant issue is expected later this year. It is the Company's intention to obtain an element of gearing in its portfolio through investment in equity warrants.

DETAILS OF SELECTED ASIAN ECONOMIES

Singapore

The 11.0 per cent. expansion in Singapore's real GDP in 1988 compared with 1987 underlines the success of Singapore in restoring its competitiveness. In the early 1980s Singapore's unit labour costs peaked at a level 68 per cent. above the other NIEs, a figure which has since fallen to 5 per cent. As a result, Singapore's manufacturing and export sectors recovered sharply and although external demand for some of Singapore's manufactured goods now appears to be slowing, domestic demand in Singapore remains strong. Financial and business services in particular continue to show strong growth, enabling the Singapore economy to grow by a further 9.1 per cent. on an annualised basis in the first half of 1989. Despite the strong economic growth, inflationary pressure remains low.

The relatively low cost of hotel accommodation in Singapore has led to a second year of strong growth in visitor arrivals, which rose by 14.7 per cent. in the first half of 1989 compared with the same period in the previous year, while hotel occupancy rates have risen from 75.4 per cent. to 82.4 per cent. Over this period, higher tourist spending as well as stronger consumer demand have caused an 11 per cent. increase in retail sales. The office property market has benefited from the strong recovery in the economy, office occupancy rates have risen from 81.8 per cent. in the first quarter of 1988 to 85.8 per cent. by the first quarter of 1989. The continued inflow of foreign investment should ensure that office take up rates remain strong and the Directors believe that office values are poised to exceed their 1982 peak.

Thailand

Thailand's bid to join the ranks of the NIEs has centred on attractive tax incentives for export oriented businesses, low labour costs of around US$100 per month and an ample supply of labour. These factors have led to a boom in investment from both domestic and foreign sources. Investment applications approved by the Board of Investment amounted to US$8.0bn in 1988, three times higher than in 1987. Imports of raw materials and capital goods still outstrip exports, but the success of the Thai tourist industry as well as net capital inflows have contributed to a balance of payments surplus. Higher employment and the emergence of a wealthier middle class have led to strong growth in consumption and housing. The inadequacy of the infrastructure is the main obstacle to further economic success. However, the Thai government has begun to encourage private sector participation. After achieving real GDP growth of 11.0 per cent. in 1988, the Directors believe that Thailand is likely to achieve a second consecutive year of double digit real growth in 1989.

Malaysia

Malaysia has been benefiting from an increase in both foreign and domestic demand. In 1988, merchandise exports grew by 23.1 per cent. compared with 1987, reflecting both higher commodity prices and the improved competitiveness of Malaysia's manufacturing exports. Like Indonesia and Thailand, Malaysia's manufacturing sector has attracted overseas investment interest. In 1988, the value of approved manufacturing projects rose to US$3.4bn, compared with US$1.6bn in 1987, with foreign investors accounting for over half of the total. Unemployment has remained high, at 8 per cent., but job creation and higher wages have led to strong increases in consumption of which the most visible measure is vehicle sales, up by 55 per cent. in the first half of this year, compared to the same period in 1988. Malaysia is also benefiting from a number of major infrastructural projects, which have contributed to a sharp recovery in the construction, building supplies and heavy equipment sectors.

South Korea

Between 1985 and 1988, the South Korean economy has achieved an average rate of economic growth of 12.6 per cent. per annum in real terms, benefiting from three external events: the appreciation of the Japanese yen, which greatly enhanced South Korea's competitiveness, the drop in oil prices and the fall in interest rates worldwide. A surge in exports and lower debt servicing costs produced South Korea's first current account surplus in 1986, which had swollen to US$14.2bn by 1988, allowing the country to reduce its overseas debt from US$46.7bn at the end of 1985 to US$32.2bn at the end of 1988. Economic growth is expected to slow in 1989 and 1990, largely due to a slowdown in export growth, owing to the appreciation of the currency and to disruption to production caused by strike activity. However, the South Korean government has introduced measures to stimulate the domestic economy, which the Directors believe will continue to support a high rate of growth. The Korea Automobile Manufacturers Association, for example, expects domestic automobile sales to rise by 34 per cent. in 1989 compared with 1988.

The South Korean equity market is still closed to direct foreign investment, but the rise in the number of companies listed and the restructuring of South Korea's corporate balance sheet have paved the way for the gradual liberalisation of this equity market for foreign investors.

Hong Kong

Over the past decade, Hong Kong has achieved the highest level of economic growth of the NIEs. Hong Kong's success can be attributed to the growth in exports of manufactured goods, but the development of financial and business services and the tourist industry have also played a part. Hong Kong has become increasingly dependent on China. At the end of 1988, China had become Hong Kong's largest trading partner, accounting for 17 per cent. of Hong Kong's domestic exports, 31 per cent. of Hong Kong's imports and over 40 per cent. of Hong Kong's re-exports by country of origin. Hong Kong companies are the largest foreign investors in China and have avoided the burden of higher wages in Hong Kong by shifting manufacturing to low cost China, where more people are now estimated to be employed in manufacturing by Hong Kong companies than in Hong Kong itself. In addition, 20 per cent. of Hong Kong's tourists visit China. In the short term, the rate of growth of the Hong Kong economy is expected to slow for two reasons. Firstly, the rapid expansion of the past three years has led to the emergence of labour shortages, capacity constraints and inflationary pressures. Secondly, China is also experiencing economic problems, owing to over rapid expansion, and has introduced an austerity programme to curtail inflation, running at an annualised 28.5 per cent. in May 1989, and a burgeoning trade deficit. This is expected to have some impact on the Hong Kong economy.

The economic slowdown is likely to be exacerbated by the repression of the Chinese student movement, which has caused a loss of confidence in Hong Kong. This has led to an acceleration in emigration, some weakness in the property market and may have continuing adverse consequences for the tourist industry and investment. In spite of these problems, the Directors believe that there are profitable investment opportunities available in Hong Kong.

Taiwan

The marked improvement in Taiwan's export performance between 1980 and 1985 led to a prolonged build up in the country's foreign exchange reserves and a repayment of external debt, prompting an explosion in domestic money supply. The New Taiwan dollar began to appreciate which, in turn, kept domestic inflation and interest rates low. Since 1987, the Taiwanese government has implemented a number of measures to absorb excess liquidity, including the relaxation of controls on outward flows of foreign exchange and the reduction of import tariffs and restrictions. These measures have had some success in achieving this objective, but have been accompanied by persistent current account surpluses, high foreign exchange reserves, which were US$76.4bn in April 1989, and further appreciation in the currency. Funds available for equity market investment have remained in steady supply.

India

Since 1985, the Indian government has stated its intention to dismantle some controls in the economy, allowing private companies access to formerly prohibited industries, abandoning state monopolies in certain sectors, reducing import controls and relaxing restrictions on foreign investment. Although agriculture still retains the largest share of GNP, accounting for 32 per cent. of GNP and 52 per cent. of the workforce, deregulation of the industrial sector has provided a new engine of economic growth, with the economy achieving real growth of 9-10 per cent. in 1988.

The Philippines

The restoration of democracy in the Philippines in 1986 and debt rescheduling have provided the foundations for the gradual economic rehabilitation of the Philippines. There has been a surge in local and foreign investment in the first half of [illegible]

Indonesia

[illegible]

[illegible]

INVESTMENT POLICY

The main objective of the Company is to provide long term capital growth for its shareholders by direct or indirect investment in Asian equity markets. [illegible]

[illegible] The proposed initial investment allocation by country, subject to market conditions, is as follows:–

Country	%
Singapore	17
Thailand	15
Malaysia	15
South Korea	14
Hong Kong	10
Taiwan	6
India	6
Philippines	6
Indonesia	3
Others	8

Other markets include Japan (only to the extent of investment in Japanese equity warrants), China, Papua New Guinea and stock exchanges outside the Asian region.

Depending on future developments the following countries may at some time offer investment opportunities:–

Bangladesh
Brunei
Burma
Cambodia
Laos
Nepal
North Korea
Pakistan
Samoa
Sri Lanka
Vietnam

The Directors reserve the right to hedge currency exposure and to utilise the Company's borrowing powers, although it is not anticipated that either will be required initially.

Use of Equity Warrants

In recognition of the outstanding long term economic prospects for the region, the Directors have recommended that the Company should at most times employ an element of gearing. However, the Directors do not intend that borrowing should be used in order to provide gearing. Borrowing would raise the Company's income requirement which, in view of the low dividend yield in most equity markets in which the Company proposes to invest, might adversely influence the Company's investment policy. The Directors believe that equity warrants provide a more attractive form of gearing than borrowing and it is intended that up to a maximum of 25 per cent. of the Company's net assets will be invested in equity warrants.

The issue of equity warrants, which entitle the holder to subscribe for a fixed number of shares at a fixed price over a period of time, usually four to five years, has become more widespread in Asia over the past five years. Equity warrants are now available in Hong Kong, Singapore and Thailand and it is expected that South Korean companies may soon follow. Companies have realised that equity warrants provide a means of funding future capital requirements in a form that is palatable to shareholders. Warrant holders receive geared exposure to the underlying equity. The lack of yield on equity warrants can be compensated for by the lower capital outlay. Although equity warrants tend to be more volatile, because of their gearing, for investors with a long term investment horizon they provide a most attractive form of investment. In addition, many Asian equity warrants trade at low premia, which the Directors believe in many cases inadequately reflect the time value inherent in the instrument. In purchasing equity warrants, the investment manager will invest in those with low premia and long dated expiry.

The range of issued Asian equity warrants to date does not necessarily provide a broad exposure to the underlying equity market, nor does it represent all sectors of their economies. This may therefore restrict the Company's investment in Asian equity warrants. However, the Directors believe that more equity warrant issues will be made in the future, which will enable the Company to invest up to 25 per cent. of its net assets entirely in Asian equity warrants in the longer term. In the medium term, the Company is likely to obtain gearing by investing in the more developed Japanese equity warrant market. The investment strategy with respect to such equity warrants will be in line with the investment strategy for the other investments of the Company. The investment manager may invest in Japanese equity warrants up to a maximum of 10 per cent. of the Company's net assets.

INVESTMENT TRUST STATUS

The Directors intend that the Company will be an investment company within the meaning of Section 266 of the Companies Act 1985 and that its affairs will be conducted in such a manner so as to satisfy the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for each accounting period. The Company will be exempt from UK corporation tax on capital gains in respect of each accounting period for which such approval is granted.

DIVIDEND POLICY AND ACCOUNTS

The main aim of the Company is to provide capital growth for its shareholders. Many of the Company's investments are likely to be in the shares of high growth companies. As a result, dividend yields will tend to be low. Since the income of the Company will be derived wholly or mainly from its investments in shares and other securities, it is likely that net revenue, and, consequently, dividends will be small. However, it is the Directors' intention that not more than 15 per cent. of the income derived from securities investments will be retained and the rest, subject to taxation, will be distributed to shareholders.

Dividends will be paid only to the extent that they are covered by income received from underlying investments, shares of profits of associated companies being unavailable for this purpose unless and until distributed to the Company. The distribution as dividend of surpluses arising from the realisation of investments is prohibited by the Company's Articles of Association and such surpluses shall accrue to the benefit of the Company.

It is intended that the dividend will be in the form of a single annual payment. Annual accounts will be made up to 30th September in each year. The dividend in respect of the first accounting period ending on 30th September, 1990, is intended to be paid in January 1991.

DIRECTORS

Rolan Engineer, aged 36, is the Financial Director of Britannia Arrow Holdings PLC, the parent company of MIM. He joined MIM in 1987 as Finance Director and was appointed Group Financial Controller of Britannia Arrow Holdings PLC in July 1988. A Fellow of the Institute of Chartered Accountants, he was formerly a partner of and head of corporate finance at Robson Rhodes.

Nicholas George, aged 35, is a director of Barclays de Zoete Wedd Securities Limited, with over ten years' stockbroking experience, including four years of research. After an early career as a Chartered Accountant, he joined Joseph Sebag & Co. Stockbrokers in 1978 and has spent several years specialising in South East Asian stockmarkets.

Morris Huang, aged 41, is the Managing Director of Ta Yeh Securities Investment Consulting Co., an associated company of MIM, and a director of Kwang Hua Securities Investment & Trust Co.; both of these companies are based in Taipei. Kwang Hua is the company which manages the Formosa Fund, one of the vehicles for foreign investment in Taiwan.

Francis Pike, aged 35, is a director of MIM, which he joined in 1979 after a period of running his own business. He was the manager of Drayton Far Eastern Trust from 1981 until 1983 when he moved to Tokyo to establish MIM Tokyo KK, one of the first foreign companies to be granted a fund management licence in Japan. Since returning to London in 1987, he has been responsible for all of MIM's Japanese and Asian investments, and has resumed the management of Drayton Far Eastern Trust of which he is now a director.

Andrew Smithers, aged 51, joined S.G. Warburg in 1962 and became a director in 1969. For approximately the past three years he has been resident in Tokyo as a director of S.G. Warburg, Akroyd, Rowe & Pitman, Mullens Securities Limited from which he will shortly be resigning. He has recently returned to London to form Smithers & Co. Limited, an economic consulting company. He is also chairman of Whatman Reeve Angel plc.

DURATION OF THE COMPANY

The Articles of Association contain a provision that the Directors are obliged to propose at an Extraordinary General Meeting of the Company to be held on 29th September, 1997 an ordinary resolution providing for the Company to be wound up ("liquidation resolution"). Shareholders are obliged to vote in favour of such a liquidation resolution.

The Directors may be released from their obligation to propose a liquidation resolution by an ordinary resolution passed at the Annual General Meeting in respect of the financial period ending 30th September, 1996. If the Company is not wound up in 1997 the Directors are obliged to convene an Extraordinary General Meeting and thereat to propose a liquidation resolution in each successive third year after 29th September, 1997 unless released from their obligation at the preceding Annual General Meeting.

If the Directors are not released from their obligation to propose a liquidation resolution, it is the Directors' intention that all reasonable measures would be considered to provide shareholders with the opportunity to transfer their investment into an alternative investment vehicle.

RISK FACTORS

General

Many of the companies in which Drayton Asia Trust will invest are operating in geographical locations, or types of industries, which are exposed to the risks of political change. In addition, the small size of the Asian equity markets may tend to make them more volatile and less liquid. Exchange control, tax or other regulations applicable to or introduced in any country in which the Company invests may affect the Company's income and the value and marketability of its investments; currency fluctuations may also affect the value of the Company's investments and of the income derived therefrom. Companies in the Asian markets are not subject to accounting, auditing and financial standards which are equivalent to those applicable to United Kingdom companies and there may be less government supervision and regulations.

Investors should also be aware that the Company's exposure to equity warrants may lead to periods of volatility in its net asset value.

Potential investors should, therefore, be aware of the risk associated with the Company's investment policy, although the number and spread of investments should reduce that risk.

Investment in the Company should be regarded as long term in nature.

Relating to Trust Warrants

Potential holders of the Trust Warrants should be aware that in the event of a winding up of the Company (except for the purpose of reconstruction, amalgamation or unitisation in terms sanctioned by an extraordinary resolution of the holders of the Trust Warrants) they will only receive a payment out of the surplus available for distribution amongst the holders of the Ordinary Shares in the circumstances described in paragraph 3(h) in Part IV of this document. Accordingly, it is possible that holders of Trust Warrants may not receive any payments.

MANAGEMENT AGREEMENT

Under the management agreement described more fully in paragraph 6 of Part V of this document, MIM will receive a management fee of one per cent. per annum (exclusive of VAT) of total assets less current liabilities calculated by reference to the Company's latest published audited balance sheet.

PART II

OFFER FOR SUBSCRIPTION

BZW, on behalf of the Company, is now offering for subscription 100,000,000 Ordinary Shares (with 20,000,000 Trust Warrants attached) in units of five Ordinary Shares and one Trust Warrant. The Offer has been fully underwritten by BZW. The Directors are aware of intended applications for Ordinary Shares (with Trust Warrants attached) of which the Company will accept a minimum of 75,000,000 representing 75 per cent. of the Ordinary Shares (with Trust Warrants attached) now being offered.

Application has been made for the Ordinary Shares (with Trust Warrants attached) now being offered for subscription to be admitted to the Official List of The Stock Exchange. The Ordinary Shares will rank for all dividends and other distributions declared, paid or made on the ordinary share capital after the date of this document. Full details of the Ordinary Shares are set out in Part V of this document.

The first registered holders of Ordinary Shares will receive one Trust Warrant for every five Ordinary Shares held.

TRUST WARRANTS

A Trust Warrant will confer the right to subscribe on the date 28 days after each Annual General Meeting held in respect of the financial periods ending 30th September, 1990 to 1995 inclusive (or if any such date is not a business day, the next following business day) for one Ordinary Share at the price of 100p, subject to adjustment in certain circumstances.

Application will be made for the Trust Warrants to be admitted to the Official List of The Stock Exchange. Application will in due course be made for Ordinary Shares issued upon the exercise of Trust Warrants to be admitted to the Official List of The Stock Exchange. Such Ordinary Shares will rank for all dividends or other distributions declared, paid or made by reference to a record date on or after the relevant exercise date and will otherwise rank *pari passu* with the existing issued Ordinary Shares on the relevant date. Further particulars of the Trust Warrants are set out in Part IV of this document.

APPLICATION AND DEALINGS

The procedure for application and an Application Form can be found at the end of this document. Applications must be for a minimum of 100 Ordinary Shares (with Trust Warrants attached) and must be received by post or by hand at Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 10.00 am on Friday, 29th September, 1989.

It is expected that the basis of allocation will be announced by 9.00 am on Monday, 2nd October, 1989 and that fully paid renounceable letters of allotment in respect of the Ordinary Shares (with Trust Warrants attached) will be posted on Thursday, 5th October, 1989. It is expected that dealings in these Ordinary Shares (with Trust Warrants attached) will commence at 9.00 am on Friday, 6th October, 1989. Dealings prior to the receipt of letters of allotment will be at the risk of the applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all. Letters of allotment in respect of the Ordinary Shares (with Trust Warrants attached) now being offered for subscription will be renounceable until 3.00 pm on Friday, 3rd November, 1989 and dealings will be in Ordinary Shares (with Trust Warrants attached). In the case of renunciation, the letter of allotment (duly completed in accordance with the instructions contained therein) must be lodged with Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 3.00 pm on Friday, 3rd November, 1989.

It is expected that dealings in the Ordinary Shares and Trust Warrants separately will commence at 9.00 am on Thursday, 2nd November, 1989. After Friday, 3rd November, 1989 and pending the despatch of definitive certificates (which is expected to take place on or before Monday, 4th December, 1989) transfers of Ordinary Shares and of Trust Warrants will be certified by the Registrars against delivery of the relevant letters of allotment.

MIM INVESTMENT TRUST SAVINGS SCHEME

The MIM Investment Trust Savings Scheme is managed by MIM and enables individuals to participate in some of the investment trusts managed by MIM. It is proposed that Drayton Asia Trust will be included in the MIM Investment Trust Savings Scheme by the end of the year.

PART III

ACCOUNTANTS' REPORT

The following is the text of a letter received by the Directors and BZW from Coopers & Lybrand, Chartered Accountants, the auditors of the Company:–

Coopers & Lybrand
Plumtree Court
London EC4A 4HT

19th September, 1989

The Directors
Drayton Asia Trust plc
11 Devonshire Square
London EC2M 4YR

and

The Directors
Barclays de Zoete Wedd Limited
Ebbgate House
Swan Lane
London EC4R 3TS

Gentlemen,

We report that Drayton Asia Trust plc (the "Company") was incorporated on 3rd August, 1989 as Baselaunch Public Limited Company and that its name was changed to Drayton Asia Trust plc on 31st August, 1989.

Neither the Company nor its wholly owned subsidiary has yet commenced to trade. A certificate under Section 117 of the Companies Act 1985, enabling the Company to commence to trade was issued on 8th September, 1989. No financial statements have been prepared in respect of any period since incorporation. No transactions have occurred since incorporation other than the acquisition of Drayton Asia Finance Limited as referred to in paragraph 9(a), the allotment of Ordinary Shares (with Trust Warrants attached) disclosed under paragraph 2, and the entry into of the material contracts referred to in paragraph 6, of Part V of the listing particulars dated 19th September, 1989. No dividends have been declared or paid.

Yours truly,

Coopers & Lybrand
Chartered Accountants

PART IV

PARTICULARS OF THE TRUST WARRANTS

The Trust Warrants will be issued subject to and with the benefit of an instrument by way of deed poll (the "Trust Warrant Instrument") dated 15th September, 1989. Trust Warrant holders will be entitled to the benefits of, be bound by, and be deemed to have notice of all the terms and conditions set out in the Trust Warrant Instrument, copies of which may be inspected at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted). The following is a detailed summary of the terms of the Trust Warrant Instrument. The restrictions on U.S. persons noted in paragraph (e) of Part IV "Terms and Conditions of Application" apply to the Trust Warrants.

1. **Subscription Rights**

(a) A registered holder (a "holder") of a Trust Warrant shall have the right to subscribe (the "subscription rights") in cash on the subscription dates, being the date 28 days after the date of the Annual General Meeting of the Company in respect of the accounting reference periods of the Company ending on 30th September in any of the years 1990 to 1995 inclusive, the first subscription date being the date 28 days after the date of the Annual General Meeting of the Company in respect of the accounting reference period of the Company ending on 30th September, 1990 (or if any such date is not a business day, on the immediately following business day) (each date a "subscription date"), for each Trust Warrant specified in the Trust Warrant Certificate one Ordinary Share at a subscription price of 100p each (the "subscription price") payable in full on subscription. The number and/or the nominal value of Ordinary Shares to be subscribed and the subscription price are subject to adjustment pursuant to paragraph 2 below.

(b) The number of Trust Warrants to which each registered holder of Trust Warrants shall be entitled shall be evidenced by a Trust Warrant Certificate issued by the Company. In order to exercise the subscription rights the registered holder of a Trust Warrant must, having completed the notice of subscription thereon, lodge it at the office of the Registrars of the Company, on or within 28 days prior to the relevant subscription date accompanied by a remittance for the total subscription price of the Ordinary Shares in respect of which the subscription rights are exercised. Once lodged, a notice of subscription shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory requirements for the time being applicable. The subscription rights will not be exercisable in respect of a fraction of an Ordinary Share.

(c) Not later than four weeks before a relevant Annual General Meeting, as described in paragraph 1(a) above, the Company will give notice in writing to the holders of outstanding Trust Warrants reminding them of their subscription rights.

(d) Ordinary Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after, and with effect on and from, the relevant subscription date and certificates in respect of such shares will be issued free of charge and despatched (at the risk of the persons entitled thereto) not later than 28 days after the relevant subscription date to the persons in whose names the Trust Warrants are registered at the date of such exercise or (subject as provided by law) to such other persons as may be named in the form of nomination upon the reverse of the Trust Warrant Certificate. In the event that not all of the Trust Warrants evidenced in a Trust Warrant Certificate are exercised the Company shall at the same time issue for no payment a fresh Trust Warrant Certificate in the name of the holder for any balance of the subscription rights remaining exercisable.

(e) Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, made or paid in respect of any financial year of the Company prior to the financial year in which the relevant subscription date falls, nor shall they rank for any dividends or other distribution declared made or paid on a date (or by reference to a record date) prior to the relevant subscription date but, subject thereto, will rank *pari passu* in all other respects with the Ordinary Shares in issue at the relevant subscription date including ranking in full for all dividends and other distributions in respect of the financial year in which the relevant subscription date occurs provided that on any allotment falling to be made pursuant to paragraph 3(f) or 3(g) below the Ordinary Shares so to be allotted shall not rank for any dividends or other distributions declared, made or paid by reference to a record date prior to the date of allotment.

(f) Application will be made to the Council of The Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to the Official List and the Company will use all reasonable endeavours to obtain the grant thereof not later than 28 days after the relevant subscription date.

(g) Within seven days following the final subscription date the Company shall appoint a trustee, who within 14 days following that date, shall exercise such subscription rights as have not been exercised on the terms on which the same could have been exercised on the final subscription date (subject to any adjustment pursuant to paragraph 2 below) and sell the Ordinary Shares acquired on such subscription, provided that in his opinion the proceeds of such sale after deduction of all costs and expenses incurred by him will exceed the subscription price, and distribute *pro rata* the proceeds less the subscription price and such other costs and expenses to the persons entitled thereto within two calendar months of the final subscription date, provided that entitlements of under £2.50 shall be retained for the benefit of the Company. Subject thereto, and to the extent not then exercised, all subscription rights shall lapse at 5 pm on the final subscription date.

(h) If at any time less than 25 per cent. of the Trust Warrants originally issued by the Company remain outstanding, the Company shall be entitled on giving not less than 14 days' notice in writing to the holders of Trust Warrants then outstanding to appoint a trustee who, provided that in his opinion the proceeds of sale after deduction of all costs and expenses incurred by him will exceed the subscription price, shall within the period of 14 days following the giving of such notice exercise such subscription rights as have not been exercised as if they were exercisable 14 days following the date of such notice on the basis (subject to any adjustment pursuant to paragraph 2 below) then applicable and sell in the market the Ordinary Shares acquired on such subscription or accept any offer available to holders of Trust Warrants for the purchase of those Trust Warrants which would provide net proceeds to the Trust Warrant holders in excess of those which would be obtained from a sale in the market. The trustee shall distribute *pro rata* the proceeds less the subscription price and such other costs and expenses to the persons entitled thereto as soon as practicable after such sale, provided that entitlements of under £2.50 shall be retained for the benefit of the Company.

2. **Adjustment of Subscription Rights**

(a) If, on a date (or by reference to a record date) on or before the final subscription date the Company shall allot any Ordinary Shares fully paid by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register on a date (or by reference to a record date), before the final subscription date or upon any consolidation or sub-division of the Ordinary Shares before such date, the number and/or nominal value of Ordinary Shares to be subscribed on any subsequent exercise of the subscription rights will be increased or, as the case may be, reduced in due proportion and the subscription price per Ordinary Share will be adjusted accordingly. On any such capitalisation, consolidation or sub-division the auditors for the time being of the Company will verify the correctness of the appropriate adjustments and, within 28 days of such adjustments, notice will be sent to each holder of a Trust Warrant together with a new Trust Warrant Certificate in respect of any additional Ordinary Shares to which that holder is entitled to subscribe in consequence thereof, fractional entitlements being ignored.

(b) If, on a date (or by reference to a record date) on or before the final subscription date, the Company makes any offer or invitation (whether by rights issue or otherwise but not being an offer to which paragraph 3(f) below applies) to the holders of the Ordinary Shares in their capacity as such, or any offer or invitation (not being an offer to which paragraph 3(g) below applies) is made to such holders otherwise than by the Company, then the Company shall, as far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Trust Warrants as if their subscription rights had been exercisable and had been exercised on the day immediately preceding the date (or record date) of such offer or invitation on the terms (subject to any adjustment pursuant to paragraph 2 (c) above) on which the same could have been exercised on the basis then applicable.

(c) If at any time before the final subscription date an offer is made to all the holders of Ordinary Shares (or all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the subscription price payable on any subsequent exercise of the subscription rights in accordance with paragraph 3(g) below, but not otherwise, shall be reduced by an amount determined by the auditors for the time being of the Company in accordance with the following formula:–

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Drayton Asia Trust plc

A=(B+C)-D

where:-

A= the reduction in the subscription price;

B= the subscription price ruling immediately before the adjustment;

C= the average of the mean of the quotations as derived from the Daily Official List of The Stock Exchange for one Trust Warrant for the ten consecutive Stock Exchange Dealing Days ending on The Stock Exchange Dealing Day immediately preceding the date of the adjustment; and

D= the value (as determined by the auditors for the time being of the Company) of the consideration per Ordinary Share offered to holders of Ordinary Shares by the offeror pursuant to the offer referred to above;

provided that:-

(i) the auditors for the time being of the Company shall be entitled to make such further adjustments to the subscription price payable on any subsequent exercise of the subscription rights in accordance with paragraph 3(g) below as they shall certify to be appropriate to take account of the market value of the Trust Warrants (which shall be deemed to be equal to the value provided by calculating "C" in the above formula), having regard, inter alia, to the time value of money;

(ii) the subscription price shall not be adjusted so as to cause the Company to be obliged to issue Ordinary Shares at a discount and, if the application of the above formula would, in the absence of this paragraph 2(c), have reduced the subscription price to below the then par value of an Ordinary Share, the number of Ordinary Shares to be subscribed on any subsequent exercise of the subscription rights in accordance with paragraph 3(g) below, but not otherwise, shall be adjusted in such manner as the auditors for the time being of the Company shall report to be appropriate to achieve the same economic result for the holders of Trust Warrants as if the subscription price had been adjusted without regard to this paragraph 2 (c);

(iii) no adjustment shall be made to the subscription price where the value of D exceeds the aggregate value of B and C in the above formula; and

(iv) no adjustment shall be made to the subscription price where the offeror and/or such persons or companies as aforesaid make available an offer of warrants to subscribe for ordinary shares ("offeror warrants") of the offeror in exchange for the Trust Warrants which the financial advisers to the Company consider in their opinion (acting as experts not as arbitrators) is fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to the financial advisers to be relevant), when any Director of the Company shall be authorised as attorney for the holder (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of offeror warrants whereupon all the Trust Warrants shall lapse and (ii) to do such acts and things as may be necessary or appropriate in connection therewith subject in both (i) and (ii) aforesaid and in all circumstances to the offer by the offeror as aforesaid becoming or being declared wholly unconditional and the offeror being in a position compulsorily to acquire the whole of the ordinary share capital of the Company.

Any such adjustment shall become effective on the date on which the Company becomes aware that, as a result of such offer, the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid. The Company shall give notice to each holder of Trust Warrants within 14 days of any adjustment made pursuant to this paragraph 2(c) and, if appropriate, despatch new Trust Warrant Certificates within 21 days of the adjustment taking place. Publication of a scheme of arrangement under the Companies Act 1985 providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purpose of this paragraph 2(c).

3. Other Provisions

So long as any subscription rights remain exercisable:-

(a) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Trust Warrants) (i) make any distribution of capital profits or capital reserves (including all surpluses and accretions required to be credited to a capital reserve by the Company's Articles of Association) except by means of a capitalisation issue in the form of fully paid Ordinary Shares, (ii) issue securities by way of capitalisation of profits or reserves except Ordinary Shares credited as fully paid and issued to the holders of its Ordinary Shares, or (iii) on or by reference to a record date falling within the period of six weeks ending on the relevant subscription date make any such offer or invitation as is referred to in paragraph 2(b) above;

(b) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Trust Warrants) (i) in any way modify the rights attached to its existing Ordinary Shares or create any new class of share capital except for shares which carry, as compared with the existing Ordinary Shares, no more advantageous rights as regards voting, dividends and return of capital, (ii) amend or delete Article 3 ("Duration") of the Company's Articles of Association, or (iii) alter its accounting reference date;

(c) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full without the need for the passing of any resolution by shareholders all subscription rights remaining exercisable;

(d) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Trust Warrants) issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(b) above if as a result the Company would on any subsequent exercise of the subscription rights be obliged to issue Ordinary Shares at a discount;

(e) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Trust Warrants) (i) amend its Articles of Association so as to enable any distribution of capital profits or capital reserves (save as permitted by paragraph 2(a)(i) above), (ii) reduce its share capital or any share premium account or capital redemption reserve (except as authorised by the Companies Act 1985 as from time to time amended or re-enacted), or (iii) purchase or redeem any share capital;

(f) if at any time an offer or invitation is made by the Company to the holders of the Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the holders of the Trust Warrants and each such holder shall be entitled at any time while such offer or invitation is open for acceptance to exercise his subscription rights as if they were then exercisable so as to take effect as if he had exercised his rights immediately prior to the date (or record date) of such offer or invitation;

(g) if at any time an offer is made to all holders of Ordinary Shares (or all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give notice to the holders of the Trust Warrants of such vesting within 14 days of its becoming so aware, and each such Trust Warrant holder shall be entitled, at any time within the period of 60 days immediately following the date of such notice, to exercise his subscription rights as if they were exercisable on the last day of the said 60 day period on the basis (subject to any adjustment pursuant to paragraph 2 above) then applicable. Publication of a scheme of arrangement under the Companies Act 1985 providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(g); and

(h) if the Company commences liquidation, whether voluntary or compulsory (except for the purpose of reconstruction, amalgamation or unification on terms sanctioned by an extraordinary resolution of the holders of the Trust Warrants), it shall forthwith give notice thereof to all holders of Trust Warrants; thereupon each holder of a Trust Warrant will (if in such winding up there shall be a surplus available for distribution amongst the holders of the Ordinary Shares (including for this purpose the Ordinary Shares which would arise on the exercise of all the outstanding subscription rights) which, taking into account the amounts payable on the exercise of the subscription rights, exceeds in respect of each Ordinary Share a sum equal to the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercisable and had been exercised in full and shall accordingly be entitled to receive out of the assets available on liquidation pari passu with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per share equal to the subscription price; subject to the foregoing, all subscription rights shall lapse on liquidation of the Company.

4. Modification of Rights and Trust Warrant Instrument

All or any of the rights for the time being attached to the Trust Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the holders of the Trust Warrants. Such alteration or abrogation approved as aforesaid shall be effected by deed poll executed by the Company and expressed to be supplemental to the Trust Warrant Instrument. Modifications to the Trust Warrant Instrument which are of a formal, minor or technical nature, or made to correct a manifest error, may be effected by deed poll executed by the Company and expressed to be supplemental to the Trust Warrant Instrument and notice of such alteration or abrogation or modification shall be given by the Company to holders of the Trust Warrants.

5. Purchase by the Company

The Company, or its subsidiary will be entitled at any time to purchase Trust Warrants (i) by tender in the market (available alike to all Trust Warrant holders) at a price (exclusive of expenses of purchase) not exceeding an amount equal to the average of the Relevant Prices during the period of ten dealing days (the "Relevant Period") immediately prior to the date of such tender or purchase or (ii) through the market at the market price, provided that such market price does not exceed five per cent. above the amount equal to the average of the Relevant Prices during the Relevant Period. For this purpose, the "Relevant Price" for any dealing day is the middle market quotation for the Trust Warrants for that dealing day (as derived from The Stock Exchange Daily Official List).

6. Transfer

Each Trust Warrant will be registered and will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors except that no transfer of a right to subscribe for a fraction of an Ordinary Share shall be effected.

7. General

(a) The Company will concurrently with the issue of the same to holders of Ordinary Shares send to each holder of a Trust Warrant (or, in the case of joint holders, to the first-named) a copy of each published annual report and accounts of the Company and unaudited interim report of the Company together with all documents required by law to be annexed thereto, and copies of every statement, notice or circular issued to holders of Ordinary Shares.

(b) For the purposes of this Part IV "business day" means a day (excluding Saturday) on which banks in England are open for business and "extraordinary resolution" means a resolution proposed at a meeting of the Trust Warrant holders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll. All the provisions of the Articles of Association for the time being of the Company as to General Meetings shall mutatis mutandis apply as though the Trust Warrants were a class of shares forming part of the capital of the Company but so that (i) the period of notice shall be 21 days at least, (ii) the necessary quorum shall be Trust Warrant holders (present in person or by proxy) entitled to subscribe for one-third in nominal amount of the Ordinary Shares attributable to the then outstanding Trust Warrants, (iii) every Trust Warrant holder present in person at any such meeting shall be entitled on a show of hands to one vote and every Trust Warrant holder present in person or by proxy shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe, (iv) any Trust Warrant holder present in person or by proxy may demand or join in demanding a poll, and (v) if at any adjourned meeting a quorum as above defined is not present, those Trust Warrant holders who are then present in person or by proxy shall be a quorum.

(c) Should the Company alter its accounting reference date to a date other than 30th September all references to the accounting reference date in the Trust Warrant Instrument shall be deemed to be references to the new accounting reference date.

PART V

GENERAL INFORMATION

1. The Company

The Company was incorporated in England and Wales on 3rd August, 1989 as a public limited company under the Companies Act 1985 (the "Act"), under the name of Basetaunch Public Limited Company with registered number 2410804. The name of the Company was changed to Drayton Asia Trust plc on 31st August, 1989. Since incorporation the Company has not carried on business or incurred borrowings. The Company has received a certificate, issued on 8th September, 1989 by the Registrar of Companies under Section 117 of the Companies Act 1985, enabling it to commence business.

2. Share Capital

(a) The authorised share capital of the Company upon incorporation was £100,000 divided into 100,000 ordinary shares of £1 each of which two shares were issued, nil paid, to the subscribers of the Memorandum of Association.

(b) The Articles of Association of the Company adopted upon incorporation of the Company provided that the Directors were, pursuant to Section 80 of the Act, given authority (expiring on 2nd August 1994) and empowered in accordance with Section 95 of the Act as if sub-section 89(1) thereof did not apply, to allot and to make offers or agreements to allot relevant securities (as defined in Section 80(2) of the Act) up to the amount of the then authorised unissued share capital of the Company.

(c) On 7th September, 1989 the two ordinary shares of £1 each issued, nil paid, to the subscribers of the Memorandum of Association were transferred to Humphrey Tomlinson and Bandi Nagji ("the transferees") and paid up in full.

(d) Pursuant to an ordinary resolution passed on 7th September, 1989 each of the issued and unissued ordinary shares of £1 each of the Company were sub-divided into ten Ordinary Shares.

(e) On 7th September, 1989, MIM was allotted 499,980 Ordinary Shares against its irrevocable undertaking to pay 100p in cash for each Ordinary Share (with Trust Warrants attached) on or before the date on which the Ordinary Shares (with Trust Warrants attached) are admitted to the Official List of The Stock Exchange, unless the admission of the Ordinary Shares (with Trust Warrants attached) to The Stock Exchange does not become effective by 20th October, 1989 whereupon MIM shall pay 10p in cash for each Ordinary Share (with Trust Warrants attached) on or before 15th November, 1989. On 8th September, 1989, the 20 Ordinary Shares (with Trust Warrant attached) held by the transferees were transferred, 10 being transferred to MIM (Nominees) Limited, an associated company of MIM, and the other 10 to MIM.

(f) Pursuant to a special resolution passed on 15th September, 1989:-

(i) the authorised share capital of the Company was increased from £100,000 to £12,060,000 by the creation of 119,600,000 additional Ordinary Shares;

(ii) the Directors were generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £12,010,000 such authority to expire on 14th September, 1994, so that such authority shall allow the company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and all previous authorities granted to the Directors to allot relevant securities are hereby revoked;

(iii) the Directors were empowered until 14th September, 1994 to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority referred to in paragraph (ii) above as if Section 89(1) of the Act did not apply to any such allotment of equity securities provided that such power is limited to the allotment of Ordinary Shares and the issue of the Trust Warrants in connection with the Offer and the allotment of Ordinary Shares pursuant to the exercise of the Trust Warrants; and

(iv) the objects clause in the Memorandum of Association was altered and new Articles of Association were adopted.

(g) 20,100,000 Trust Warrants conferring the right to subscribe for an aggregate of 20,100,000 Ordinary Shares at a price of 100p per share will be issued in connection with the Offer. Particulars of the Trust Warrants are detailed in Part IV of this document.

(h) Following the Offer, the issued share capital of the Company will be £10,050,000 divided into 100,500,000 Ordinary Shares. There will remain authorised but unissued £2,010,000 of share capital consisting of 20,100,000 Ordinary Shares which are reserved for exercise of the subscription rights under the Trust Warrants.

(i) Save as disclosed herein, since the date of its incorporation no share or loan capital of the Company or any subsidiary has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company or any subsidiary in connection with the issue or sale of any such capital.

(j) Other than the Trust Warrants no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

(k) All the Ordinary Shares and the Trust Warrants will be in registered form.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of an investment trust company in all its branches. The objects of the Company are set out fully in Clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 10 below.

The Articles of Association (the "Articles") which have been adopted as mentioned in paragraph 2(f)(iv) above contain provisions inter alia to the following effect:-

(a) **Voting Rights**

No member shall be entitled to vote at any general meeting if any call or other sum immediately payable by him in respect of shares in the Company remains unpaid or if a member has been served by the Directors with a Direction Notice in the manner described in the paragraph headed "Restrictions on Shares" below.

(b) **Restrictions on Shares**

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to Section 212 of the Act and is in default in supplying to the Company information thereby required within a prescribed period after the service of such notice the Directors may serve on such member or on any such person a notice (a "Direction Notice") in respect of the shares in relation to which the default occurred ("default shares") directing that the member shall not be entitled to vote at any general meeting or class meeting of the Company. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the Direction Notice may in addition direct that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that no person in default is interested in any shares subject to the transfer. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(c) **Variation of Class Rights and Alteration of Capital**

(i) Subject to the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be modified, abrogated or varied either with the consent in writing of the holders of three-fourths of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of Sections 369, 370, 376 and 377 of the Act and the provisions of the Articles relating to general meetings shall apply, mutatis mutandis, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking pari passu therewith.

(ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.

(iii) Subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

(iv) Subject to the provisions of the Act and of the Articles, all unissued shares of the Company are at the disposal of the Directors.

(v) Subject to the provisions of the Act, any shares may be issued on terms that they are, or at the option of the Company or the shareholders are, liable to be redeemed on the terms and in the manner provided for by the Articles.

(vi) The Company may purchase its own shares (including any redeemable shares) provided that the Company shall not purchase its own shares if there are outstanding any convertible shares which remain capable of being converted, unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of each class of such convertible shares.

(d) **Transfer of Shares**

The instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The Directors may likewise refuse to register any transfer in favour of more than four persons jointly. The Directors may decline to recognise any instrument of transfer unless it is left at the registered office to be registered, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and unless the instrument is in respect of only one class of share. The registration of transfers may be suspended by the Directors at any time for any period (not exceeding 30 days in any year).

(e) **Directors**

(i) The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Act or by the Articles, required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Articles and of the Act, and to such directions, being not inconsistent with any provisions of the Articles or of the Act, as may be given by the Company in general meeting.

(ii) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall, at a meeting of the Board, declare in accordance with the Act the nature of his interest and the interest of any person who is connected with him within the meaning of the Act.

(iii) No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Company or as a vendor, purchaser or otherwise. Subject to the provisions of the Act and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with sub-paragraph (ii) above.

(iv) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:-

(aa) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(dd) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of, or beneficially interested in, one per cent. or more of any class of the equity share capital (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for these purposes to be a material interest in all circumstances);

(ee) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirements benefit scheme under which he may benefit and which relates to both employees and Directors and which does not accord to any Director as such any privilege or advantage not generally accorded to the employees to whom such scheme or fund relates; and

(ff) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of any scheme for enabling employees including full-time Executive Directors of the Company and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to employees.

(v) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

(vi) Save as provided in sub-paragraph (iv) above, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement, transaction or any other proposal in which he has any material interest.

(vii) The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Directors may from time to time determine (not exceeding in the aggregate an annual sum of £100,000 or such larger amount as the Company may by ordinary resolution determine) and such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.

(viii) Subject to the provisions of the Act the Directors may from time to time appoint one or more of their body to the office of Managing Director or such other executive office as they may decide. His appointment shall be automatically determined if he ceases from any cause to be a Director, without prejudice to any claim for damages such Director may have for breach of any service contract between him and the Company. The salary or remuneration of any Managing Director or Executive Director shall, subject as provided in any contract, be such as the Directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, and may include the making of provisions for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance benefits.

(ix) Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.

(x) The Directors may be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings or otherwise in connection with the business of the Company.

(xi) Subject to the provisions of the Act, a Director may hold any other office or place of profit under the Company, except that of Auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Directors may arrange.

(xii) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (subject to the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(xiii) Subject to the provisions of the Act, the Company may, by ordinary resolution, suspend or relax certain of these provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of those provisions.

(xiv) Section 293 of the Act (which regulates the appointment and continuation in office of Directors who have attained the age of 70) shall apply to the Company.

(xv) Each Director shall have the power at any time to appoint as an alternate Director either (i) another Director or (ii) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

(f) **Borrowing Powers**

The Directors may, save as the Articles provide otherwise, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and, subject to the provisions of the Act and the Articles, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all monies borrowed by the Company and its subsidiary (the "Group") and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed the aggregate of (i) the amount paid up on the share capital of the Company and (ii) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the profit and loss account) all as shown in the latest audited and consolidated balance sheet of the Group but after such adjustments and deductions as are specified in the relevant Article.

(g) **Pensions, Gratuities, etc**

The Directors may give or award pensions, gratuities and superannuation or other allowances or benefits to, inter alia, any director, ex-director, employee or ex-employee of the Company or of any of its subsidiaries (present or past) or the relatives or dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds.

(h) **Dividends and Distributions on Liquidation to Ordinary Shareholders**

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. All dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid. The Directors may pay such interim dividends as appear to them to be justified by the profits of the Company. On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide amongst the members the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

The Directors may, before recommending any dividend, set aside out of the Company's profits such sums as they think proper as a reserve or reserves which will be applicable for any purpose to which the Company's profits may be properly applied and may in the meantime either be employed in the Company's business or invested in such investments as the Directors think fit. The Directors may divide the reserve into separate accounts and consolidate wholly or partly any separate accounts in the reserve fund. The Directors may also without placing the same to reserve, carry forward any profits which they think it is prudent not to divide.

(i) **Capital Reserve**

All surpluses arising from the realisation of investments and all other monies realised on or derived from the realisation of or dealing with any capital asset in excess of the book value and all other monies which are in the nature of accretion to capital shall be credited to a capital reserve fund to be maintained by the Company. Any loss realised on the sale, repayment or payment of any investments or other capital assets may be carried to the debit of the capital reserve except so far as the Directors may in their discretion decide to make good the same out of the other funds of the Company. All sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that no part of the capital reserve or any other monies in the nature of accretion to capital shall be transferred to the revenue account or be regarded as or treated as profits of the Company available for distribution (as defined by Section 263(2) of the Act) or be applied in paying dividends on any shares in the Company's capital. The Directors may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other.

(j) **Unclaimed Dividends**

Any dividend unclaimed for a period of twelve years from the date of its declaration shall be forfeited and shall revert to the Company.

(k) **Duration and Winding-up**

(i) The Directors shall convene an Extraordinary General Meeting of the Company to be held on 29th September, 1997 and shall procure that an ordinary resolution providing for the Company to be wound up on a voluntary basis pursuant to Section 84 (1) (a) Insolvency Act 1986 ("liquidation resolution") is proposed to the holders of Ordinary Shares at that meeting unless at the Annual General Meeting of the Company in respect of the financial period of the Company ending on 30th September, 1996 an ordinary resolution is passed releasing the Directors from such obligation. Every holder of Ordinary Shares present in person or by proxy and entitled to vote shall be obliged to vote in favour of a liquidation resolution.

(ii) If the Directors are released from their obligation to put the liquidation resolution pursuant to the provisions in sub-paragraph (i) above, the Directors shall convene an Extraordinary General Meeting of the Company to be held within twelve months after the Annual General Meeting of the Company held in respect of the financial period of the Company ending 30th September, 1999 and in each successive third year thereafter unless at each preceding Annual General Meeting an ordinary resolution is passed releasing the Directors from such obligation and shall procure that a liquidation resolution is proposed thereat.

4. Directors and Other Interests

(a) **Shareholdings**

(i) If the Directors proposed applications are accepted in full, the interests of Directors, beneficial or otherwise, in Ordinary Shares and Trust Warrants immediately following the Offer, as will be shown in the register of such interests required to be maintained under the provisions of Section 325 of the Act, will be as follows:-

Name of Director	No. of Ordinary Shares	No. of Trust Warrants
Ratan Engineer	10,000	2,000
Nicholas George	10,000	2,000
Francis Pike	20,000	4,000

(ii) Save as disclosed in sub-paragraph (i) above, none of the Directors will immediately following the Offer have any interest in the share or loan capital of the Company.

(iii) MIM will immediately following the Offer be beneficially interested in 500,000 Ordinary Shares and 100,000 Trust Warrants.

(iv) The Directors are not aware of any person who immediately following the Offer will be interested directly or indirectly (within the meaning of Part VI of the Act) in 5 per cent. or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.

(b) **Emoluments**

The aggregate emoluments of the Directors in respect of the financial period ending 30th September, 1990 are expected to be £40,000.

(c) **Transactions and Benefits**

(i) Save as disclosed in sub-paragraphs (iii) and (iv) below, no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company.

(ii) Save as disclosed in sub-paragraphs (iii), (iv) and (v) below, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Company.

(iii) Ratan Engineer is a director of MIM and is a director of, and shareholder in, Britannia Arrow Holdings PLC.

(iv) Francis Pike is a director of MIM and shareholder in Britannia Arrow Holdings PLC.

(v) Nicholas George is a director of Barclays de Zoete Wedd Securities Limited and a shareholder in Barclays de Zoete Wedd Holdings Limited, the holding company of Barclays de Zoete Wedd Securities Limited and BZW. BZW will be receiving a fee and commission in respect of the Offer.

(vi) Andrew Smithers is a shareholder in Smithers & Co. Limited, which provides consultancy services to MIM in exchange for a fee.

(d) **Service Agreements**

There are no service contracts in existence between the Company and any of the Directors nor are any such contracts proposed.

Drayton Asia Trust plc

5. **Offer for Subscription Agreement**

By an Offer for Subscription Agreement dated 19th September, 1989 between the Company (1) the Directors (2) BZW (3) and MIM (4) BZW has agreed, subject, inter alia, to the Ordinary Shares (with Trust Warrants attached) to be issued under the Offer being admitted to the Official List of The Stock Exchange by close of business on 20th October, 1989, to subscribe or procure subscribers at the Offer Price for all of the Ordinary Shares (with Trust Warrants attached) being offered. The Company will pay BZW an underwriting commission of 2 per cent. of the Offer Price (out of which BZW will pay sub-underwriting commission of 1.25 per cent.) and a fee of £50,000 and will pay BZW's legal expenses, in all cases together with VAT where applicable. Under the agreement, which may be terminated by BZW in certain circumstances, warranties have been given to BZW by the Directors, and the Company, and MIM have given BZW both warranties and indemnities.

6. **Material Contracts**

The following contracts, not being entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are or may be material:-

(a) the Offer for Subscription Agreement referred to in paragraph 5 above; and

(b) an agreement (the "Management Agreement") dated 15th September, 1989 between the Company (1) and MIM (2) whereby, conditionally upon the Offer for Subscription Agreement becoming unconditional in all respects, MIM has agreed to provide investment management services and to carry on the general administration of the Company in consideration of a management and administration fee payable quarterly in arrears on 31st March, 30th June, 30th September and 31st December in each year and calculated at the rate of one per cent. per annum (plus VAT) by reference to the net proceeds of the Offer in respect of each of the quarterly periods ending on or before 30th September, 1990 and thereafter by reference to the total assets less current liabilities as set out in the latest published audited balance sheet of the Company. The first payment under the Management Agreement will be payable on 31st December, 1989 in respect of the period from the commencement of the Management Agreement to 31st December, 1989. The Management Agreement contains provisions indemnifying MIM against any liability not due to its wilful default or negligence. The Management Agreement is for an initial three year period terminable thereafter by two years written notice subject to earlier termination as provided for therein.

7. **Taxation**

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust as set out in Section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for each accounting period. Accordingly, the Company will be exempt from United Kingdom corporation tax on capital gains in respect of each chargeable accounting period for which such approval is granted.

The comments below are of a general and summary nature and are based on the Company's understanding of certain aspects of current United Kingdom law and practice relevant to Ordinary Shares and Trust Warrants. The comments relate to the position of persons who are the absolute beneficial owners of Ordinary Shares or Trust Warrants and may not apply to certain classes of persons such as dealers.

(a) **Chargeable Gains**

On the transfer or disposal of Ordinary Shares or Trust Warrants, a chargeable gain or allowable loss may arise for the purposes of United Kingdom taxation. United Kingdom capital gains tax (or for companies, corporation tax) on chargeable gains generally applies only to persons resident or ordinarily resident in the United Kingdom and to persons not so resident but carrying on a trade in the United Kingdom through a branch, agency or permanent establishment. For individuals, capital gains tax is currently levied at the rate of either 25 per cent. or 40 per cent. depending on the level of their total income and gains for the year. Corporation tax on chargeable gains is normally levied at the rate of 35 per cent. The availability of any relief from or credit for such United Kingdom taxation liability against liabilities imposed by other jurisdictions on disposals of Ordinary Shares or Trust Warrants in the Company will depend, in general, on the terms of any relevant double tax convention or agreement and on the laws of such jurisdictions.

(b) **Dividends**

(i) When paying a dividend to shareholders, the Company may have to remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and for the fiscal year 1989/1990 is 25/75ths of the dividend paid. Accordingly, the ACT related to a dividend will be 25 per cent. of the sum of the cash dividend plus the ACT. The Company will only be liable to remit an amount of ACT to the Inland Revenue if the dividend paid to shareholders exceeds the aggregate of any qualifying distributions (franked investment income) received by the Company in the same accounting period and any surplus franked investment income carried forward from previous accounting periods.

(ii) For non-corporate shareholders resident in the United Kingdom, the ACT is available as a basic rate tax credit which individual shareholders who are so resident may set off against their total income tax liability or, in appropriate cases, reclaim in cash. United Kingdom resident corporate shareholders will not be liable to United Kingdom corporation tax on any dividend received.

(iii) Whether the holders of shares in the Company who are resident in countries other than the United Kingdom are entitled to payment from the Inland Revenue or the Company of a proportion of, or all of, the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the United Kingdom. Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and what relief or credit may be claimed in the jurisdiction in which they are resident.

(c) **Inheritance Tax**

Ordinary Shares and Warrants will have a United Kingdom situs for the purposes of inheritance tax and so will be within the charge to such tax, although no charge will arise in respect of certain types of gifts made more than seven years before the death of the donor.

(d) **Stamp Duty and Stamp Duty Reserve Tax**

Stamp duty (or stamp duty reserve tax unless, in general, the transfer is duly stamped within two months of the agreement to transfer) will be payable on a transfer or sale of Ordinary Shares and Trust Warrants at the rate of 50p per £100 or part thereof of the consideration paid. A purchaser of rights to Ordinary Shares (with Trust Warrants attached) represented by a renounceable letter of allotment on or before the latest time for registration of renunciation will be liable to stamp duty reserve tax at the rate of 50p per £100 or part thereof of the consideration paid.

Shareholders who are in any doubt as to their personal tax position or who may be subject to tax in any other jurisdiction should consult their professional advisers.

(e) **Trust Warrants**

A capital gains tax charge may arise on holders of unexercised Trust Warrants who are resident or ordinarily resident in the United Kingdom or not so resident but carrying on a trade in the United Kingdom through a branch, agency or permanent establishment where pursuant to paragraphs 1 (g) and (h) of Part IV of this document, the Company appoints a Trustee who exercises any unexercised Trust Warrants, and sells the shares thereby subscribed for on behalf of the Trust Warrant holders, or where under paragraph 2 (c)(iv) of Part IV of this document pursuant to an offer for the Ordinary Shares the Company secures that Trust Warrant holders receive warrants by way of exchange issued by the offeror, if the warrants thereby received are not quoted within the period specified in Section 139 of the Capital Gains Tax Act 1979.

8. **Other Investment Information**

While the Company's asset allocation policy will remain at the discretion of the Directors, it is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988, and in addition it will be their policy:-

(a) not to lend or invest more than 10 per cent. of the Company's assets (before deducting borrowed money) to or in the securities of any one company (other than holdings in another investment trust which has been approved by the Inland Revenue or which would qualify for such approval but for the fact that it is not listed) including loans to or shares in its own subsidiaries; and

(b) that not more than 25 per cent. of the assets of the Company, or, if the Company has subsidiaries, of the Group (before deducting borrowed money) will be invested in the aggregate of (i) securities not listed on any recognised stock exchange and (ii) holdings in which the interest of the Company, or, if the Company has subsidiaries, of the Group, amounts to 20 per cent. or more of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company (other than another company which has been approved as an investment trust by the Inland Revenue or which would qualify for such approval but for the fact that it is not listed).

None of the restrictions will require the realisation of any relevant assets of the Company where any of such restrictions is breached as a result of any event outside the control of the Company and occurring after the investment in the relevant assets is made or by reason of the receipt or exercise of any rights, bonuses or benefits in the nature of capital or any scheme or arrangement for amalgamation, reconstruction, conversion or exchange or of any repayment or redemption. The realisation of any investment amounting to 25 per cent. or more by value of the assets of the Company will be made only with the consent of shareholders.

The investment policy set out will, in accordance with The Stock Exchange requirements, be adhered to for at least three years following listing and the policy of investment in Asia will not be altered at any time without the consent of shareholders in general meeting.

9. **General**

(a) The principal place of business and registered office of the Company is at 11 Devonshire Square, London EC2M 4YR. The Company does not have nor has it had since incorporation, any employees. Drayton Asia Finance Limited, a wholly-owned subsidiary of the Company, was incorporated in England on 24th July, 1989 under the name Shinelead Limited. Its name was changed to Drayton Asia Finance Limited on 1st September, 1989. Its issued share capital comprises two shares of £1 each paid up in full. Its principal business will be investment dealing. It has not traded. The Company has no other subsidiaries or associated companies.

(b) MIM is the promoter of the Company. No amount or benefit has been paid or given to MIM as the promoter and none is intended to be paid or given.

(c) Neither the Company nor its subsidiary is or has, since incorporation, been engaged in any legal or arbitration proceedings which may have or have had a significant effect on the Company's financial position and no legal or arbitration proceedings are known to the Directors to be pending or threatened against the Company or its subsidiary.

(d) Coopers & Lybrand have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report set out above in the form and context in which it is included.

(e) Save as disclosed herein, there has been no significant change in the trading or financial position of the Company or its subsidiary since incorporation.

(f) It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the requirements for qualification as an investment company under Section 266 of the Companies Act 1985 and the Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to that Section.

(g) The expenses of, and incidental to, the Offer including registration and listing fees, printing, advertising and distribution costs, legal and accounting fees, are estimated to amount to approximately £2.4 million (exclusive of VAT) and are payable by the Company.

(h) The net proceeds of the Offer, estimated to be approximately £97.5 million will be available for investment by the Company.

(i) BZW is a member of The Securities Association and is registered in England, registered No. 181866, with its registered office at Ebbgate House, 2 Swan Lane, London EC4R 3TS.

(j) The issue price of 100p per Ordinary Share represents a premium of 90p over the nominal value of an Ordinary Share.

(k) The majority of the investments of the Company will be registered in the name of nominees of, and will be held to, the order of nominees of MIM, the Company's managers and secretaries, and will not be registered in the name of the Company but will be beneficially owned by the Company.

10. **Documents Available for Inspection**

Copies of the following documents will be available for inspection at the offices of Ashurst Morris Crisp, Broadgate House, 7 Eldon Street, London EC2M 7HD during normal business hours on any week day (Saturdays and public holidays excepted) for the period of 14 days from the date of this document:-

(a) the Memorandum and Articles of Association of the Company;

(b) the Report of Coopers & Lybrand referred to above;

(c) the material contracts referred to in paragraph 6 above;

(d) the consent letter referred to in paragraph 9(d) above;

(e) the Trust Warrant instrument described in Part IV; and

(f) these Listing Particulars.

19th September, 1989

PART VI

TERMS AND CONDITIONS OF APPLICATION

(a) The contract created by the acceptance of applications under the Offer will be conditional upon (i) the admission of the Ordinary Shares with Trust Warrants attached to the Official List of The Stock Exchange by not later than 20th October, 1989 and (ii) the Offer for Subscription Agreement referred to in paragraph 5 in Part V becoming unconditional and not being terminated in accordance with its terms.

(b) The right is reserved to present all cheques and banker's drafts for payment on receipt by Ravensbourne Registration Services Limited and to retain renounceable letters of allotment and surplus application monies pending clearance of successful applicants' cheques. *The right is also reserved to reject in whole or in part, or to scale down or limit, any application.*

If any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned without interest by returning the applicant's(s') cheque or banker's draft or by crossed cheque in favour of the first-named applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by Ravensbourne Registration Services Limited in a separate account.

(c) By completing and delivering an Application Form, you:

(i) offer to subscribe for the number of Ordinary Shares (with Trust Warrants attached) specified in your Application Form (or such lesser number for which your application is accepted) at the Offer Price and on the terms of, and subject to the conditions set out in this document, including these terms and conditions and subject to the Memorandum and Articles of Association of the Company;

(ii) agree that, in consideration of the Company agreeing that it will not prior to Thursday, 5th October, 1989 offer for subscription any Ordinary Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked until after 20th October, 1989 and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by, Ravensbourne Registration Services Limited, of your Application Form;

(iii) warrant that the remittance accompanying your Application Form will be honoured on first presentation;

(iv) agree that, in respect of those Ordinary Shares (with Trust Warrants attached) for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company, either (i) by notification to The Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to Ravensbourne Registration Services Limited;

(v) agree that any renounceable letter of allotment and any monies returnable to you may be retained by Ravensbourne Registration Services Limited pending clearance of your remittance and that such monies will not bear interest;

(vi) authorise Ravensbourne Registration Services Limited to send a fully paid renounceable letter of allotment in respect of the number of Ordinary Shares (with Trust Warrants attached) for which your application is accepted and/or crossed cheque for any monies returnable, by post to the address of the person (or in the case of joint holders the first-named person) named as an applicant in the Application Form;

(vii) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and undertake to enclose your power of attorney or a copy thereof certified by a solicitor, where this is required by the "Notes on how to complete the Application Form";

(viii) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts;

(ix) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation;

(x) authorise Ravensbourne Registration Services Limited or BZW or any person authorised by Ravensbourne Registration Services Limited or by BZW, as your agent, to do all things necessary to effect registration of any Ordinary Shares and Trust Warrants subscribed by you into your name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such Ordinary Shares (with Trust Warrants attached) has been renounced and authorise any representative of Ravensbourne Registration Services Limited or of BZW to execute any renounceable letter of allotment or other document required therefor;

(xi) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company contained therein;

(xii) confirm that you have reviewed the restrictions contained in paragraph (e) below and warrant as provided therein;

(xiii) agree that, without prejudice to any other rights to which you may be entitled, you will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application;

(xiv) agree that all documents and cheques sent by post, by or on behalf of the Company or BZW, will be sent at the risk of the person(s) entitled thereto under the Offer; and

(xv) confirm that you have read and complied with paragraph (d) below.

(d) No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

(e) The Ordinary Shares and Trust Warrants have not been and will not be registered under the United States Securities Act of 1933 (as amended). The Ordinary Shares and Trust Warrants may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any U.S. Person. Persons subscribing for Ordinary Shares (with Trust Warrants attached) (including renouncees submitting renounceable letters of allotment for registration) shall be deemed, and (unless the Company is satisfied that Ordinary Shares can be allotted without breach of United States securities laws) persons subscribing for Ordinary Shares in connection with the exercise of Trust Warrants shall be required, to represent and warrant to the Company that they are not U.S. Persons and that they are not subscribing for such Ordinary Shares or Trust Warrants for the account of any U.S. Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares or Trust Warrants in the United States or to any U.S. Person. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction and "U.S. Person" means any person who is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or an estate or trust which is subject to United States federal income taxation regardless of the source of its income.

(f) The basis of allocation will be determined by BZW. The right is reserved notwithstanding the basis so determined to reject in whole or in part and/or scale down any application. The right is reserved to treat as valid any application not in all respects completed in accordance with the instructions accompanying the Application Form.

Availability of Listing Particulars

Copies of this document and the Application Form are available for collection from The Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2 for two business days following the date of publication of this document and until the Offer closes from the registered office of the Company and from:-

Barclays de Zoete Wedd Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS

MIM Limited
11 Devonshire Square
London EC2M 4YR

Ravensbourne Registration
Services Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

1. **Insert in Box 1 (in figures) the number of Ordinary Shares (with Trust Warrants attached) for which you are applying.**

The first registered holders of Ordinary Shares will receive one Trust Warrant for every five Ordinary Shares held.

Applications must be for a minimum of 100 Ordinary Shares (with Trust Warrants attached) or in one of the following multiples:-

For 100 shares or more, but not more than 1,000 shares, in a multiple of 100 shares.
For more than 1,000 shares, but not more than 3,000 shares, in a multiple of 200 shares.
For more than 3,000 shares, but not more than 10,000 shares, in a multiple of 500 shares.
For more than 10,000 shares, but not more than 50,000 shares, in a multiple of 1,000 shares.
For more than 50,000 shares, in a multiple of 5,000 shares.

2. **Insert in Box 2 (in figures) the amount of your cheque or banker's draft.**

This should be equal to the number of Ordinary Shares (with Trust Warrants attached) for which you are applying multiplied by the Offer Price of 100p.

3. **Insert your full name and address in BLOCK CAPITALS in Box 3.**

4. **Sign and date the Application Form in Box 4.**

The Application Form may be signed by another person on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised so to do, but the power(s) of attorney (or a copy(ies) thereof duly certified by a solicitor) or form(s) of authority must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.

5. **You must pin a single cheque or banker's draft to your completed Application Form in Box 5. Your cheque or banker's draft must be payable to "Drayton Asia Trust plc" for the amount payable on application inserted in Box 2 and should be crossed "Not Negotiable".**

No receipt will be issued for this payment (which must be solely for this application).

Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right-hand corner.

An application may be accompanied by a cheque drawn by a person other than the applicant(s), but any monies to be returned will be sent by crossed cheque in favour of the person named in Box 3.

A separate cheque or banker's draft must accompany each application.

6. **You may apply jointly with up to three other persons.**

You must then arrange for the Application Form to be completed by or on behalf of each joint applicant. Their full names and addresses should be inserted in BLOCK CAPITALS in Box 6.

7. **Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 3 and sign Box 4).**

You must send the completed Application Form by post, or deliver it by hand, to Ravensbourne Registration Services Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, so as to arrive not later than 10.00 am Friday, 29th September, 1989.

If you post your Application Form you are recommended to use first class post and to allow at least two business days for delivery.

Drayton Asia Trust plc

Offer for subscription sponsored by Barclays de Zoete Wedd Limited of Ordinary Shares (with Trust Warrants attached), at 100p per share, payable in full on application.

APPLICATION FORM

IMPORTANT: BEFORE COMPLETING THIS FORM YOU SHOULD READ THE LISTING PARTICULARS AND THE ACCOMPANYING NOTES ABOVE.

ALL APPLICANTS MUST COMPLETE BOXES 1 TO 5

I/We offer to subscribe for — *see note 1* Ordinary Shares (with Trust Warrants attached) **1**

in Drayton Asia Trust plc on and subject to the Terms and Conditions of Application set out in the listing particulars dated 19th September, 1989 and subject to the Memorandum and Articles of Association of the Company

and I/we attach a cheque or banker's draft for the amount payable of — £ *see note 2* **2**

PLEASE USE BLOCK CAPITALS

MR., MRS., MISS OR TITLE	FORENAME(S) (IN FULL) *see note 3* **3**
SURNAME	
ADDRESS (IN FULL)	
	POSTCODE

DATED 1989	SIGNATURE *see note 4* **4**

PIN YOUR CHEQUE OR BANKER'S DRAFT HERE FOR THE EXACT AMOUNT SHOWN IN BOX 2 MADE PAYABLE TO "DRAYTON ASIA TRUST plc" AND CROSSED "NOT NEGOTIABLE" **5**

BOXES 6 AND 7 MUST BE COMPLETED ONLY BY THE JOINT APPLICANT(S) *(see notes 6 and 7)*

PLEASE USE BLOCK CAPITALS

MR., MRS., MISS OR TITLE	MR., MRS., MISS OR TITLE	MR., MRS., MISS OR TITLE **6**
FORENAME(S) (IN FULL)	FORENAME(S) (IN FULL)	FORENAME(S) (IN FULL)
SURNAME	SURNAME	SURNAME
ADDRESS (IN FULL)	ADDRESS (IN FULL)	ADDRESS (IN FULL)
POSTCODE	POSTCODE	POSTCODE
SIGNATURE	SIGNATURE	SIGNATURE **7**

For Official Use Only

i.	ALLOTMENT NUMBER
ii.	ORDINARY SHARES (with Trust Warrants) ALLOTTED
iii.	CHEQUE NUMBER
iv.	AMOUNT RECEIVED £
v.	AMOUNT PAYABLE £
vi.	AMOUNT RETURNED £

UK COMPANY NEWS

Two new trusts target Far East stocks

By Nikki Tait

TWO NEW investment trusts, both specialising in Far Eastern stocks, are coming to the market.

The larger trust is a £100m fund, being launched by way of an offer for subscription by MIM, the fund management company headed by Lord Stevens.

Drayton Asia Trust is aiming to raise £100m. In size, this rivals the highly-successful launch of the Thornton Asian Emerging Markets Investment Trust, which came to the market last July.

Investors in the Drayton fund are being offered 10m shares at 100p each, but directors say they are aware of certain intended applications and intend to accept these for a minimum of 75m shares. For every five shares, subscribers also receive one warrant entitling holders to subscribe for one share at 100p shortly after the financial periods ending September 1990 to September 1995. The trust has set a possible wind-up date in 1997.

The Drayton Asia Trust launch has been fully underwritten by Barclays de Zoete Wedd and MIM said yesterday that sub-underwriting by other in-house funds was less than 10 per cent of the issue.

The trust aims to give broad exposure to Asian markets and the fund managers say up to 25 per cent of its assets may be investment in warrants. Management charges are one per cent per annum.

Applications close at 10 am on Friday, September 29.

Meanwhile, Tyndall are launching their Pacific Horizon Investment Trust – a smaller £20m fund. Some £7m is coming from the former Australia Investment Trust, which underwent a partial unitisation earlier this year, with shareholders being given the option of either exiting for cash via an existing Tyndall unit trust, or taking shares and warrants in the new investment trust.

In addition, Alexanders Laing & Cruickshank have placed a further £13m-worth of shares with new investors. Within this, Tyndall says some £3m-worth of shares are being taken by two Korean brokers and the Korean-based Citizens Insurance Company.

Lord Stevens: chairman of MIM

The shares have been placed at 50p each – asset value plus the placing commission – and for every five shares, subscribers also get one warrant. Each entitles holders to subscribe for one new share at 50p in between years three and seven of the trust's life. A wind-up date after seven years has been set on the trust.

Tyndall says that initially it plans to have 25 per cent of the fund in Thailand, the Philippines, Indonesia and South Korea/Taiwan/Vietnam. However, in 1992, Citizens Insurance Company will take over management of the Korean portfolio and exposure to this country will probably increase.

The management charge is 1.6 per cent per annum, with additional incentive conditions. The shares are due to start trading on Friday.

F&C Eurotrust to raise £20m via rights issue

By Nikki Tait

F&C EUROTRUST, the £60m investment trust managed by Foreign & Colonial, yesterday announced a £20m rights issue – an extremely rare move within the trust sector.

Such fund-raising is made possible in F&C Eurotrust's case because the trust is one of a very select group where the share price actually stands at a premium to underlying net assets. Most trusts suffer from a discount problem.

The terms of the rights issue are one new share for every three held. The rights issue price is 340p, roughly equivalent to current net asset value.

The issue has been underwritten by Cazenove, brokers to the trust. Two significant blocks of sub-underwriting have been taken by Foreign & Colonial Investment Trust, the largest trust in the F&C stable, and Hypo-Bank, the West German bank which recently linked up with F&C. Both are subunderwriting 1.1m shares, well over one-third of the issue.

Yesterday, managers of the trust said that the issue reflected their continuing confidence in the European markets. The trust has tended to concentrate on the major European stockmarket and the majority of the money raised is likely to be invested here. However, they suggested that this would also open up opportunities to invest in some smaller markets – the likes of Portugal, Austria, or Greece, for example.

They said the trust had considered the alternative option of bidding for another existing trust – the route taken when it acquired Nordic Investment Trust last year – but could find no suitable candidate in terms of size, investment strategy and price. "This seemed the cleanest and cheapest route," commented the trust's managers.

The shares dropped 12p to 351p.

Canning accompanies £16.7m rights with Italian acquisition

By Richard Tomkins, Midlands Correspondent

W CANNING, the Birmingham-based speciality chemicals and industrial distribution group, yesterday accompanied a rise in interim pre-tax profits from £3.51m to £4.45m with a one-for-three rights issue and news of a further move into continental Europe.

It is buying ECC Elettronica, a privately owned Italian distributor of electronic components, for an initial L3.43bn (£1.55m) cash. Further payments over the next two years, depending on profits, are estimated to reach L4.38bn (£2m).

Canning said the acquisition of ECC, which had turnover of L17.34bn and pre-tax profits of L2.1bn in 1988, marked another stage in the expansion of its European electronic component distribution network.

It is the group's second continental acquisition in the last few months. In May, Canning bought Levenit Chemical, an Italian manufacturer of speciality lubricants and release agents, for about £1.4m cash.

The rights issue, at 245p per share, will raise £16.7m net. Canning said the proceeds would be used to meet the cost of acquisitions already made and others about to come.

Another purchase is already imminent. The group has agreed, subject to contract, to buy an unnamed French speciality chemicals business for £1.9m plus another £2m to refinance borrowings.

Canning's 27 per cent pre-tax profit increase in the six months to end-June was made on sales up from £39.8m to £55.3m. Earnings per share were ahead at 12p (10.9p), and the dividend is raised from 1.5p to 2.8p to give a better balance between the interim and final.

● COMMENT

After about a dozen continental acquisitions in the last three years, Canning is showing no signs of flagging in its determination to become a pan-European group in readiness for deregulation in 1992. The effort has left its followers breathless, but supportive: the rights issue is a hefty slug to take so soon after the 14 per cent increase in Canning's equity base accompanying the Gamlen acquisition, but the shares ended a touch above the notional ex-rights price of 287p. All that extra paper would leave the group with a struggle to improve earnings next year if it made no further purchases, but on the basis of the recent track record, that scenario is an unlikely one. With 70 per cent of Canning's turnover already overseas, and the proportion increasing, this is one company that looks less vulnerable than most to weaknesses in the UK economy. Most shareholders will take up the rights and hold on for the ride.

Godfrey Davis motors to £9.3m

By John Thornhill

GODFREY DAVIS (Holdings), the car dealer and laundry group, reported a 36 per cent jump from £6.86m to £9.34m in pre-tax profits for the half year to June 30.

Directors said all three divisions had recorded growth in operating profits but did not break down their precise contribution. However, the rough split of operating profits was: textile maintenance, 40 per cent; vehicle supply and service, 40 per cent; and site services, 20 per cent.

The textile maintenance business made satisfactory progress but was restrained by lower than expected tourist trade in London hotels. In July, the company announced the acquisition of the Practical Uniform Company, expanding its garment supply business.

Contract hire operations were said to have made excellent progress in both fleet numbers and levels of profitability, while motor dealerships achieved profit objectives despite competitive pressures on margins and new car sales.

In September 1988, Davis acquired Falcon Industries, a supplier of portable buildings to the construction industry. This business was merged with Davis's building services division and performed soundly during the half. However, Davis sold Falcon's plastics division in April for £10m as it did not fit in with the group's core activities.

Turnover rose from £122.08m to £147.33m. Earnings per share expanded from 6.56p to 7.25p and the interim dividend is raised from 2.33p to 2.6p.

● COMMENT

Godfrey Davis continues to look a very strange stock market animal and no one seems quite sure how to classify it other than as miscellaneous. But whatever the configuration of its businesses, the figures seem to add up. This was another respectable performance, much in line with expectations – which perhaps explains why its shares did not budge. For the year as a whole, the company is unlikely to cause much excitement, but should shrug off minor worries about its vulnerability and record pre-tax profits of over £21m. That would put it on a prospective multiple of about 11 which seems a shade miserly given the solidity of its prospects. Motor distribution may prove weak, but this accounts for only 10 per cent of profits, and should be more than made up for in the strong demand for corporate clothes and contract hire services.

Clyde Petroleum falls to £454,000 in first half

By Steven Butler

CLYDE PETROLEUM, the oil exploration and production company, reported relatively weak net earnings of £454,000 in the first half of 1989, compared to £1m, despite acquisitions which have boosted the current production potential, and higher oil prices.

The company's shares, which have risen strongly over the past year, yesterday closed 2p at 19p.

However, Clyde reported a number of successful exploration wells in the first half which could give a significant boost to its oil and gas reserves.

Production, which came in about 3,000 barrels a day below budget, was affected by a shutdown of the Buchan field because of a fire, as well as other maintenance problems in the North Sea.

Mr Colin Phipps, chairman, said production had now been fully restored and, should production and current prices be maintained, full year pre-tax profits would be significantly higher than in 1988.

Operating profits rose to £1.9m. However this was offset by a sharp increase in the tax charge from £920,000 to £1.29m, mainly from overseas operations, where the provision rose from £704,000 to £2m.

Mr Phipps said net debt was about £12m at the half year, and would rise to £20m by December 31. The directors have declared an unchanged interim dividend of 0.5p.

Scotland behind 47% rise at Cala

By James Buxton, Scottish Correspondent

CALA, the Edinburgh-based housebuilder, achieved a 47 per cent increase to £10.05m in pre-tax profit for the year to June 30, compared with £6.86m last time.

Cala attributed much of its profit growth, which was in line with expectations, to its geographical spread. The West Midlands did well and Scotland was continuing to flourish, though the latter is expected to slow down soon.

It is proposing a final dividend of 2.25p, making a total of 3.5p, an increase of 20 per cent. Earnings per share were up 27 per cent at 18.29p. Sales increased 36 per cent to £78.9m.

Housing profits rose from £6.3m to £8.8m with the number of units sold up from 786 to 905. While the Lothian, Strathclyde, midlands and southern subsidiaries produced excellent results, Cala said that those at Cambridge, Wessex and western were affected by the difficult market.

Profits from property development, mainly in the south of England outside the M25, doubled to £1.2m.

● COMMENT

Housebuilders are out of favour as high interest rates continue to depress the housing market. But Cala has managed to enjoy the boom for longer because of its northern presence, while protecting itself by keeping a long land bank and by starting to retrench on purchases early. This year it expects to sell 850 houses against 905 last year, suggesting that the long run of fast-increasing profits may be coming to an end. The share price went up 3p to 121p yesterday, suggesting a prospective p/e of 6.7 on unchanged pre-tax profits of about £6.9m. With low borrowings – gearing is only 9 per cent and a dividend covered five times, a higher pay-out could be in prospect next time. Cala's cautious approach to the housing market looks sound but mortgage rates could still go higher. Until they are firmly pointed downwards, the shares should be held rather than bought.

Christian Salvesen

Christian Salvesen has acquired Henrotaux et Clev and Destexhe Freres (H and D) for Bfr210m (£3.23m) cash.

Capacity problems limit Garton

Although midterm profit at Garton Engineering rose 30 per cent, from £561,000 to £730,000, full potential was not reached as demand outstripped capacity and borrowing costs increased.

Mr Aubrey Garton, chairman, said buoyant demand led to sales rising from £10.34m to £12.7m. Although there was an indication of some reduction, he did not expect that to inhibit results because of the product spread.

Earnings came to 12.96p (9.84p) and the interim dividend is lifted to 1.75p (1.5p).

UK COMPANY NEWS

Lilleshall to pay £6.89m for engineer

By Nikki Tait

LILLESHALL, the small industrial distribution and building products company, yesterday announced that it is buying the privately-owned Ray Engineering business for a maximum £6.89m. The deal, subject to shareholder approval, represents Lilleshall's largest acquisition since former Hill Samuel merchant banker, Mr John Leek, moved in as chairman in early 1987.

Ray Engineering, with origins in the 1920s, is based in Bristol and makes plastic knobs, handles, handwheels, plinths, special mouldings, industrial steering wheels and tolerance rings – a form of specialised industrial fastener used by the automotive industry, and in electric motors, pumps and white goods.

Ray became part of the quoted Bluemel Bros group in the early 1970s, but in 1985 was then bought out by three executive directors, with backing from 3i and Gresham Trust, two venture capital organisations.

Mr Leek said yesterday that Ray had reached capacity in its main plastics factory and, after getting into discussions over possible expansion, directors of the business had realised that an acquisition was likely to dilute their individual interests. Lilleshall says that it is supportive of the expansion plans, although no further acquisition negotiations are currently underway.

In the year to September 1987, Ray made a pre-tax profit of £650,000 on sales of around £8m. The plastics operations account for about three-quarters of group sales, with steering wheels and tolerance rings being the smaller divisions. Despite the company's MBO origins, Mr Leek said that Ray's debt, including leasing and hp commitments, stood at only £500,000 in August.

Lilleshall is paying an initial £4.54m, to be satisfied by an allotment of approximately 3.36m new Lilleshall shares. Of these 677,633 are being retained by the Ray vendors and Hill Samuel has agreed to conditionally place the remainder, subject to shareholder clawback. Shareholders are entitled to one new share at 134p for every 4.09 shares held.

A further £1.1m will become payable in April 1991, if Ray's pre-tax profits top £985,000 in 1990 – with the deferred payment reducing to the extent that profits fall short of this figure. A second maximum payment of £1.25m is payable in April 1993, if 1991 profit before tax reaches £1.3m.

Yesterday Lilleshall shares were unchanged at 138p.

Jeyes improves 41% to top £1m

By Peter Franklin

JEYES GROUP, the manufacturer of Jeyes fluid and Parazone bleach, yesterday reported a 41 per cent increase in pre-tax profits for the 28 weeks to July 15.

The group, which was floated on the USM last October, made pre-tax profits of £1.02m from turnover up from £18.67m to £23.2m. Mr Jimmy Moir, managing director, said the result was well in line with expectations and reflected steady progress.

Jeyes has some 31 per cent of the £60m market for bleach and has a 50 per cent share of the fast-growing disinfectants market. The trend towards the use of toilet blocks in place of liquid cleaners had been met by new products, and the company now has around 22 per cent of this £30m market.

However, the fastest growth had been in the sale of moist wipes, said Mr Moir, where the company's "Wet Ones" and the newly-introduced "Baby Wet Ones" had contributed towards a 31 per cent increase in volume and a 45 per cent improvement in gross margins.

Jeyes has responded to intense pressure from the major supermarket chains for environment-friendly products, and has developed a range of "green" products.

Interest payable rose to £608,000 (£317,000) and gearing, which stood at 180 per cent before flotation, is now down to 50 per cent. After a tax charge of £203,000 (£106,000) earnings per share worked through at 7.7p (8.1p) and the directors are paying a maiden interim dividend of 1.9p.

Merivale Moore up 25%

MERIVALE MOORE, the property investment and development group, has produced a pre-tax profit of £12.11m for the year to June 30, a 25 per cent improvement on the £9.66m for the preceding year.

Turnover last year virtually doubled from £30.5m to £60.5m and the cost of sales leapt from £17.83m to £42.87m. Total income was £21.49m (14.91m); interest charges doubled at £6.74m (£3.36m).

The dividend goes up from 7p to a total of 10.5p with a proposed final of 7.75p. Pro-forma net assets increased from 505.4p to 644.6p at the year end.

Only the names have been changed . . .

Philip Coggan charts the route followed by John Ferriday in operating Hydrodan

IT WAS nicely ironic that the demise of Hydrodan (Corby), a company that produced grass-growing machines, led to a warrant being issued for the arrest of Mr John Ferriday, Eagle Trust's former chairman and chief executive, last week.

Hydrodan was one of the growth companies that the brash Mr Ferriday trumpeted when Eagle Trust was formed via a three-way merger in March 1987. The business of hydroponics – growing plants in water instead of soil – had a suitably high-tech, go-ahead ring for a company which Mr Ferriday hoped would grow very quickly in the bull market. And in the merger document that created Eagle, Hydrodan was described as having orders from Japanese companies worth £42m over four years.

The fall of Hydrodan also neatly illustrates the business methods of Mr Ferriday, which become clearer as the Eagle affair unfolds. Frequent name changes, overseas holding companies and uncertainty over ownership were the hallmarks of his operations.

Others sucked into the Hydrodan story were the British Olympic equestrian squad, including Captain Mark Phillips, and the unfortunate cows of a Scottish farm owner, Dr Theodore Salvesen.

Hydrodan was formed in September 1981, with the backing of a Mr Bader Al-Rodan who had been working throughout the 1970s on hydroponic equipment. The company leased a factory in Corby with the backing of a loan from the European Coal and Steel Community, which was aiding economic development in the Leicestershire town after the closure of British Steel's mill there.

In the following year, Dr Salvesen installed one of Hydrodan's machines to feed his cattle. He soon wished he hadn't. Within two months, 13 of his cows had died from an infection traced to the barley grass produced by the Hydrodan machine. Dr Salvesen began the long process of legal action.

As corporate names go, Hydrodan was hardly inspiring and the company changed its name to the more commercial Landsaver in October 1985. Or rather, in what would prove a familiar ploy, it swapped names with a newly formed company called Landsaver Limited.

At this point, enter Mr Ferriday and his Midland City Partnership (MCP). MCP agreed to acquire the newly named Landsaver in March 1986. However, for one reason or another, MCP instead acquired Landsaver's subsidiary, now called Hydrodan (Corby), in other words it bought the newly formed company which had swapped names the previous year. MCP also acquired an option to buy 65 to 70 per cent of Landsaver itself.

The next step was to swap names back again. The original Hydrodan once more became Hydrodan, manufacturing the grass-growing equipment; the reborn Landsaver dealt with sales, installation and maintenance. MCP, by now part of Eagle, exercised its option to buy a majority stake in the former in December 1987.

By this time, however, it became clear that the much-acclaimed Japanese orders were not going to materialise. And Dr Salvesen's case was finally coming to court. Hydrodan no longer looked a go-go company, even though Britain's equestrian competitors had been sent free machines to help them prepare for the Seoul Olympics in 1988.

Eagle therefore agreed in June 1988 to swap Landsaver for a 10 per cent holding in Marlborough Leisure Park, a company running the Uttoxeter racecourse. Completion of the deal was due in August 1988.

During that hiatus, two important developments occurred. Dr Salvesen finally won his court case and was awarded £30,000 damages against Hydrodan, which immediately appealed. And Eagle decided that its agreement to sell to Marlborough Leisure should no longer go ahead.

Events now proceeded apace, with names and assets changing hands with the prestidigitative skills of Paul Daniels. Eagle agreed to sell its interest in Landsaver to a Gibraltar-based company called Central Pacific Securities, of which more anon.

Before that happened, a new company called Bealedart was formed and the assets of Landsaver were sold to it. And there was time for one more name change – Bealedart and Landsaver swapped names. The new Landsaver (the former Bealedart which had Landsaver's assets) was then sold to Central Pacific which in turn sold it to two businessmen, Mr Alan Lambert and Mr Derek Dougan, who operate it to this day and say they were unaware of the complex company history.

Hydrodan (Corby) then went into liquidation in December 1988. Its main creditor turned out to be Dr Salvesen, whose claim had been upheld on appeal. But Revell Ward Horton of Huddersfield which was appointed as liquidator discovered that Hydrodan had no assets.

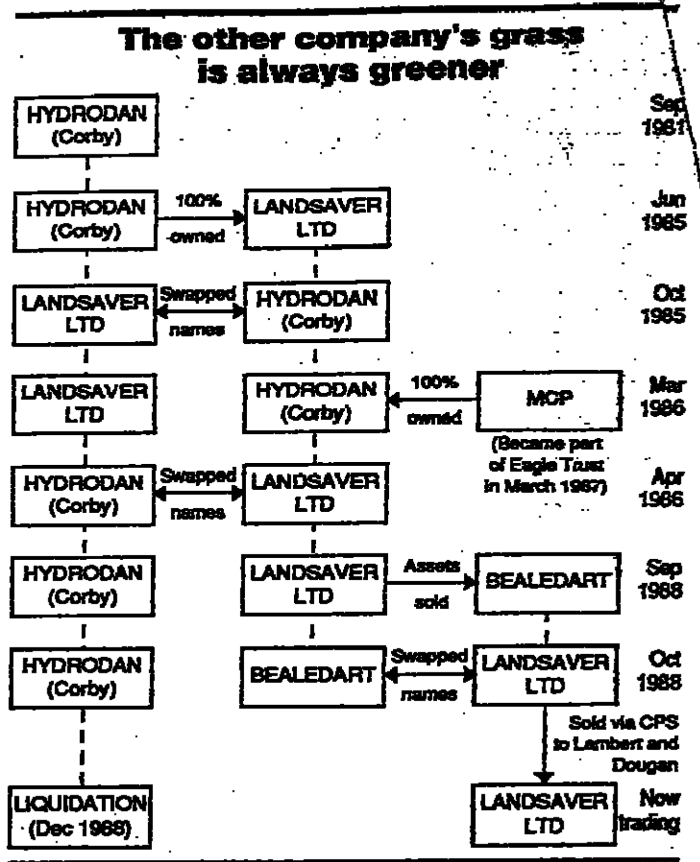
In investigating the whereabouts of those assets, Revell Ward Horton used its powers under the Insolvency Act to summon those involved, including Mr Ferriday, to court. And it was following his failure to appear at Northampton County Court that the warrant was issued.

But back to Central Pacific Securities. Searches show that the company was owned by Ryco Trust (International) and Ryco Trust (Nominees). As of January 1 1989, Ryco Trust (Nominees) and Ryco Trust (International) were two of the three shareholders in Ryco Trust, the Jersey-based group which provided nominee service for Eagle Trust.

Ryco Trust in Jersey says that it is not beneficially interested in shares owned by Ryco (Nominees) and Ryco (International) which are owned by clients. It cannot comment on the affairs of clients.

Whoever those clients are they have had a long-term interest in both Hydrodan and Eagle. Ryco Trust (International) is a Turks & Caicos registered company, which was previously known as International Fiduciary Management. IFM was a major shareholder in Hydrodan (Corby) as of March 1986 together with Ithaca and Tucson Investments, all listed at Ryco Trust's Jersey address. IFM is also listed on the Eagle Trust share register as of December 7 1987 as owning 140,000 shares, again listed at Ryco's address.

Hydrodan is not the only trail of companies associated with Eagle Trust and MCP which leads back to a tax haven such as the Turks & Caicos or Panama. These trails are now being investigated by liquidators and the Serious Fraud Office. But the trails are consistent enough to raise, at least, very serious doubts about Mr Ferriday's business practices. He appeared to believe by the end that not only could grass grow in water but that he could walk on it as well.



NEWS DIGEST

Trinity ahead 32% to £8.72m

ANOTHER "commendable" performance from its chain of daily and weekly regional newspapers in the UK helped lift interim taxable profits at Trinity International Holdings.

In the six months to July 1, profits of the group, which also has publishing activities in North America as well as papermaking and packaging interests, expanded 32 per cent from £6.62m to £8.72m.

The outcome, achieved from turnover of £58.48m (£51.33m), was in spite of US profits being affected by a fire which destroyed the press hall in Pittsburgh while the dull domestic economy hit Canadian operations. Packaging profits were described as "flat".

An increased interim dividend of 2.3p (1.8p) is payable from earnings of 9.8p (7.5p) per 10p stock unit.

The receipt of £2.87m from the Press Association on conversion of their Reuters shares was taken below the line as an extraordinary item.

H & C subsidiary expands in Taiwan

Harrisons & Crosfield's wholly-owned subsidiary in Taiwan, Tait, has acquired Li Chung Industrial for £7.5m cash. Li Chun's principal asset is a 300,000 sq ft site close to the main island highways linking Taipei with the other areas of Taiwan.

The site will be redeveloped to provide a new warehousing complex. Tait's existing head office, which occupies a prime site in central Taipei will be sold and is expected to contribute £4.5m towards the cost of the new development.

Colorgraphic at £1.55m halfway

Pre-tax profits of Colorgraphic Group rose from £1.22m to £1.55m in the first half of 1989, and the second six months had begun well.

Mr Nick Winks, chief executive of this USM-quoted company, said two important events characterised the period: the slowing down in the UK economy and the involvement in two development businesses. Both of those were generating encouraging levels of sales and would be profitable in 1990.

Group sales moved up to £21.55m (£15.57m). Earnings were 7.75p (7p) the interim dividend is raised to 1.84p (1.66p).

Reorganisation costs put Executex in loss

Trading at Executex Clothes declined in the first half of 1989. Also reorganisation expenses were charged and forced the company into a loss of £348,400, compared with a profit of £292,000.

Turnover improved only to £3.94m (£3.73m) and trading profit fell to £279,600 (£468,600) as sales on the main core business were reduced drastically following substantial cuts from a major customer.

Cost of amalgamating what was left was reflected in reorganisation charges of £352,300, and the directors said they were further expenses to come.

Loss per share was 10p (earnings 5.9p). There is no interim dividend (1.5p) and there would probably not be a final.

RPS to benefit from green concern

Mr Brian Clouston, chairman of RPS Group, the USM-quoted environmental services consultancy, believes it is in a powerful position to benefit from the considerable growth expected within that business sector.

Reporting for the first half of 1989, he said sales rose from £2.65m to £4.52m and pre-tax profit from £468,000 to £856,000. The comparisons have been adjusted to include the business of Brian Clouston and Partners, acquired in April.

Earnings on the period worked through at 4.8p (2.7p) and the interim dividend is stepped up to 1.2p (1p).

Reduced deficit at Celestion

A sharply reduced loss for the first half of 1989 was yesterday reported by Celestion Industries, the clothing and loudspeaker manufacturer.

On turnover reduced to £16.67m (£18.96m), the pre-tax deficit amounted to £217,000 – a substantial improvement on the loss of £2.1m incurred in the corresponding period of 1988.

At the trading level Celestion made profits of £215,000 (loss of £989,000), but interest charges were higher at £165,000 (£282,000). The loss per 20p share was 0.9p (8.9p).

Gabicci shows fresh decline to £1.72m

The prolonged downturn in consumer spending has again hit profits at Gabicci. Following an 8 per cent decline in the first half, pre-tax profits for the full year to June 19 showed a fall of 30 per cent, from £2.45m to £1.72m.

Mr Jack Sofier, chairman of the USM-quoted casual wear group, said the core company had performed well but he pointed out that the brand has a "unique niche in the market" with its consumer's disposable income less affected by the setback in the economy. The remainder of the group's operations did not, at present, enjoy the same trading environment.

Turnover rose to £25.74m (£24.51m). Earnings per 5p share dipped to 9.7p (14.7p) with the total dividend maintained at 4p via a proposed final of 2.6p.

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- ☐ age limit: 35 (born after 30 October 1953).

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Copies of the Official Journal containing full details of the competition can be obtained by writing, preferably on a postcard, to

- ☐ Information Office of the European Parliament, 2 Queen Anne's Gate, LONDON SW1H 9AA or
- ☐ European Parliament, Recruitment Service, L-2929 LUXEMBOURG.

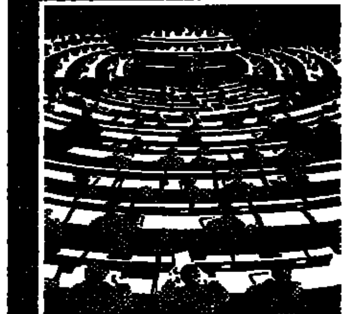
quoting reference PE/45/A.

(Candidates are requested to write their names and addresses in block capitals).

The application form in the Official Journal should be completed and sent to: European Parliament, Recruitment Service, L-2929 LUXEMBOURG.

Closing date for applications: 30 October 1989.

EP PE



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- To Suki and Adam a son, George Rupert Petre, at University College Hospital on 14 September, 1989.

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MEMORIAL

KINROSS -

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COMMODITIES AND AGRICULTURE

Lead price shows renewed strength

By Kenneth Gooding, Mining Correspondent

THE PRICE of lead showed renewed strength on the London Metal Exchange yesterday and metal for delivery in three months reached £471 a tonne in early trading – the highest level for eight years.

Traders said the upward price movement was based on sound fundamentals. Mr John Harris, an analyst with the Rudolph Wolff commodity broking group, said: "It is not inconceivable that the three-month price could go to £500 to £525 a tonne, particularly if the dollar continues to strengthen."

By the close yesterday the three-month price had drifted back to £467.50 a tonne, £11.75 up on the day and still ahead of the previous recent peak of £464.50 reached on September 1. Lead for immediate delivery also rose sharply yesterday and closed at £476.50 a tonne, up £11.50.

Mr Harris pointed out that, although most LME trading in lead is in sterling, currency factors had been very influential in the recent bull market for the metal.

However, production losses had provided the most important stimulant for the lead price in recent weeks. At the beginning of this year LME stocks were above 60,000 tonnes, a level high enough to cause some capacity shutdowns.

In spite of the 11,575 tonnes moved into the LME's Liverpool warehouse recently stocks were still relatively low at 38,000 tonnes, particularly as the market was nearing its seasonal peak in demand – when battery producers, which take about 60 per cent of lead output, start buying for the winter season.

Stocks had come down mainly because of production problems, particularly in Peru, which accounts for about 6 per cent of the non-communist world's output of the metal. There had also been strong demand in the US during the summer and a higher-than-usual offtake by the Chinese, Mr Harris pointed out.

Whereas analysts at the begining of this year were forecasting a surplus of lead supply over demand, Mr Harris suggested there will now be a deficit of about 50,000 tonnes, about the same as the deficit in 1988.

Next year the market should be about balanced and the three-month lead price was therefore likely to average about £425 a tonne over the 12 months, he added.

Cadmium jumps back over $5 lb

By Kenneth Gooding, Mining Correspondent

CADMIUM, used in rechargeable batteries which power portable items such as telephones, computers and video recorders, is living up to its reputation of being among the metals with the most volatile prices.

Having reached a record $9.35 a lb last year the free market price recently descended quickly to $2.75. Now the price has risen just as sharply to move above $5 a lb.

Behind the recent turmoil has been a struggle between some European merchants and cadmium producers. The merchants drove the price down by selling short. They suggested, however, they were only swimming with the tide and the cadmium price was already well on the way down before merchant activity spurred its progress.

Once the price broke below $3 a lb, however, the producers stepped in and currently seem to have the upper hand. One merchant admitted yesterday: "There was some overselling and the producers have now stiffened their resolve to hold out for higher prices.

"At the same time consumers are now restocking after the summer break, so the merchants have had to roll with the punches as the price went up again."

Coffee producers 'running to stand still'

Tim Coone, in Managua, assesses the effects of the collapse of the ICA

The approaching 1989/90 coffee harvest in Central America is being viewed with little enthusiasm after the collapse of the International Coffee Agreement (ICA) last July.

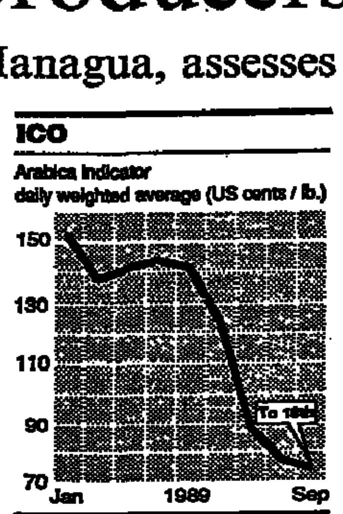
With average prices down more than a third from their levels a year ago the five coffee exporting countries of the region stand to suffer a fall of 10 per cent in their foreign exchange earnings next year.

The effect would be the same if the European Community decided to suspend all its economic aid to the region. Looked at another way, Central America's $400mn trade surplus with the EC in 1988 has been effectively wiped out as a result of the ICA's demise.

"We have to keep running just to stand still," said a disenchanted producer in Nicaragua, summing up the frustration of producers, exporters, politicians and bankers.

Coffee production is the key wealth creator in Central America, underpinning the economic health of each of the region's five countries. It creates employment for a significant part of the population, is the biggest single generator of much-needed foreign exchange, provides taxation income for tightly-pressed government budgets and is a major user of bank credit.

Liquidity crises in the coffee sector can produce liquidity crises in the banking system. Then inflationary pressures can build up in each country's economy as banks are forced to restructure rural loans with government assistance.



The main impact has still to be felt. Most of the 1988/89 harvest was sold before the ICA collapse. The crunch will come next year as the 1989/90 harvest is marketed, said Mr Jose Aguerri, a senior economic adviser at ENCAFE, Nicaragua's state marketing board for coffee.

"We expect a drop of $25m to $30m on the past season's exports of $100 million, and that is even including the likelihood of greater sales now that quotas have been removed," he said.

Losses on a similar scale are being projected for the other Central American producers. With annual exports of about 10m 60kg bags, they supply about half the world market for the so-called "other milds" Arabica coffees. Total exports in 1987 from Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica amounted to $3.88bn, to which coffee contributed an estimated $1.25bn. A 30 per cent drop on that level will signify a fall in exports of $375mn, or a 10 per cent fall in total export earnings.

Next year imports will have to be cut and social welfare programmes reduced. Every Central American will most likely feel poorer.

Costa Rica, which holds stocks of coffee estimated at 1m bags, might be able to offset some of its losses by substantially greater sales in the coming year, but once stocks are cleared the perspective remains discouraging as long as prices remain depressed.

With the exception of Nicaragua most of the Central American countries voted in favour of the US proposal to allocate a greater market share within the International Coffee Organisation quota system to the "other milds" group, whose coffee is favoured by foreign roasters and blenders.

The proposal, which was made in the annual negotiating round of the ICA, was opposed from the start by Brazil and Colombia, the world's two leading producers, who wanted a one-year extension of the current quota agreement followed by further negotiations on market shares. The US remained adamant, however, and the agreement collapsed.

So although the Central American growers may now be able to sell more of their coffee to US roasters – with the exception of the Nicaraguans who have faced a US trade embargo since 1985 – the sharp fall in prices will more than offset any benefits achieved through greater export volumes.

El Salvador, which depends for between 55 per cent and 65 per cent of its export earnings on coffee, will be the worst affected, followed by Nicaragua, which gets 35 per cent to 40 per cent of its hard currency from coffee exports.

The economies of both have been badly ravaged by guerilla wars and depend heavily on external financial support, El Salvador by the US, Nicaragua by the USSR. EC economic support is also playing almost as great a role as US economic aid to the region. Substantial increases from the EC were promised earlier this year on condition that the promising regional peace efforts continue to make progress.

The proposed increase in aid of ECU330mn to reactivate the Central American Common Market will now not even compensate for the loss of export earnings due to the collapse of the coffee agreement.

The depressed market is not, however, stampeding the Central Americans into hasty action. Although the coffee farmers feel uninspired, agricultural extension workers from the government and private sector are advising them to stay with their plantations. They are aware it will be the robusta producers, mainly in Africa, that are eventually forced out of the market, not growers of high-quality "other milds" in Central America.

Mr Aguerri said: "Crop forecasts show that production is up by 17 per cent this year. We shall continue to sell everything we can. If the quota system is reintroduced within a couple of years, we shall by then have established a greater market share and be able to demand a greater quota."

It is the resonance of that "if" which continues to cloud the future for the Central Americans, however. They lack the sheer marketing power of Brazil and Colombia and do not have the resources to sustain an indefinite price war.

In the meantime the economic and political crises in the region can only be made worse by the absence from the market of the ICA. Practically every Latin American leader, and certainly every one in Central America, now subscribes to the dictum "Stable democracies require economic growth."

The tragedy will be if an eventual recovery of the coffee market comes too late to prevent the failure of the first certain steps towards peace in Central America that have been taken in a decade.

Coffee prices in London moved ahead yesterday after finding support at the day's lows and advancing in sympathy with New York. Dealers said the market was technically dominated in the absence of fresh fundamental factors. Trading has been cautious in the run-up to the International Coffee Organisation's two-week annual meeting which starts on Monday. "We don't expect any concrete moves towards restoring export quotas," one dealer said yesterday.

North Sea oil recovery slow

By Steven Butler

North Sea oil production rose by an average of just 80,000 barrels a day to 3.561m b/d in August as UK oil output recovered more slowly than expected, according to the Petroleum Services Department of James Capel.

UK production has averaged only 1.685m b/d in the first nine months of the year, compared to 2.068m in August last year, because of a series of accidents, equipment failures, and scheduled maintenance. It had been expected to rise above 2m b/d in August, but instead averaged 1.825m b/d, compared to 1.749m b/d in July.

Norway, by contrast, has seen its production rise this year, reaching 1.568m b/d in August compared to 1.062m b/d a year ago.

One of the delaying factors in the UK has been the slow start to fields affected by the Piper Alpha disaster last year. Claymore, which started producing again in August, has only reached output of just over 6,000 b/d, compared to an expected 35,000 b/d, because of the inoperability of the platform's gas lift system, which aids production.

A number of Shell-operated platforms were also out of action, including Brent Charlie and Cormorant Alpha. The output at Alwyn North was also cut from over 90,000 to just 24,093 b/d due to maintenance work.

Partially offsetting the cuts to production were the start up of the Glamis field, which contributed 10,444 b/d and the Ivanhoe and Rob Roy fields which produced 54,223 b/d.

● Mr Issam Abdul Rahim Al-Chalabi, the Iraqi Oil Minister, said eight Opec oil ministers meeting in Geneva this weekend might agree on a small hike in the Opec production ceiling, Reuter reports from Montreal.

Mr Al-Chalabi also said Iraq would not be asking for a higher quota even though its export capacity was rising as a result of a pipeline opening through Saudi Arabia. Although the pipeline opened officially on Monday, it is not expected to reach full capacity of 1.65m b/d until next year.

Mr Al-Chalabi said Iraq would not utilise its export capacity to the full.

WEEKLY METALS

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,770-1,850 (1,750-1,800).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.30-4.60 (3.90-4.15).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.00-5.60 (4.10-5.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.35-7.55 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 215-230 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.33-3.38 (3.30-3.35).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.30 (4.40-4.90).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 48-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 4.85-5.00 (4.90-5.00).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.80 (same).

Petition for rain forests delivered to UN

By John Hunt, Environment Correspondent

A PETITION with 3m signatures calling for a special session of the United Nations General Assembly to halt the destruction of the tropical rain forests was delivered to Mr Perez de Cuellar, UN Secretary General, yesterday.

The document, which has 450,000 signatures from Britain, calls for an immediate ban on all imports of tropical timber and wood products from the virgin rain forests. Timber imports, mainly hardwoods, would be permitted from timber plantations in tropical countries.

The document says the immediate and long-term consequences of global deforestation "threaten the very survival of life as we know it on earth."

Nicholas Hildyard, co-editor of the Ecologist magazine which took a leading role in campaigning for the petitioning the UK, said commercial logging operations in countries like Brazil, Malaysia and parts of Africa were turning the world's atmosphere into a chemical soup.

"Deforestation is nothing short of a disaster for those living in the tropics," he said.

The appeal to the UN has come from the World Rainforest Movement and is backed by 33 environmental organisations from all over the world. But two large organisations, Greenpeace International and the British branch of Friends of the Earth, have not endorsed it.

Japan, which has been strongly criticised by environmentalists for its tropical timber import policy, has agreed a major plywood contract with Indonesia worth $1bn, writes John Murray Brown in Jakarta.

The deal raises by 50 per cent Indonesia's sales to Japan, which already accounts for 30 per cent of all international timber trade. Indonesia, which currently accounts for about 70 per cent of trade in tropical plywoods, exported more than $2.5bn worth of wood products in 1988.

Indonesia and Malaysia recently joined forces to counter what it perceives as the unfair attack of environmentalists. Indonesia is particularly concerned at moves by some European countries to impose tariffs on tropical timber.

The support of two countries is needed to convene a special session of the General Assembly on the subject and so far no governments have volunteered for this role.

The British branch of the European Group for Ecological Action, which took the lead in organising the petition, said Mr Chris Patten, the Environment Secretary, was asked if Britain would call for a debate. Mr Patten declined and said he was satisfied with the work of the internationally supported Tropical Forest Action Plan, which has a five-year $8bn programme to deal with deforestation.

The conservationists say, however, that the Tropical Forest Action Plan programme is "deeply flawed," and the policies it proposes "will in fact exacerbate the problems of deforestation."

It petition says only 10 per cent of the proposed budget is allocated for the protection of forest and the regional plan for Latin American envisages only 1.5 per cent spent on conservation. Of the 42 countries which had national tropical forest action plans, none intended to engage in forest restoration.

The conservationists want forest dwellers to be given the responsibility for safeguarding their habitat by being given land tenure rights and a decisive voice in policy. It concludes that at the present rate of destruction nearly all tropical forests will have been eradicated within 50 years.

Japan to mint 10m silver coins

JAPAN will issue 10m silver coins next April to be sold at ¥5,000 (£22) each, a Finance Ministry official told a news conference, reports Reuter from Tokyo.

The coin will commemorate Osaka's Flower and Green Expo, to be held from April to September next year.

The 0.4oz coins will be 92.5 per cent silver and the rest copper. The official said the Government had enough silver to mint about 40 per cent of the coins, but had not decided how to obtain the rest of the silver – about 83 tonnes.

Metal industry sources expect the Finance Ministry will have to buy most of the silver overseas to mint the new coins since internal supplies are undependable.

Japan was said to have bought some 300 tonnes of gold between 1985 and 1986 for issuing gold coins to celebrate the 60th year of the late Emperor Hirohito's reign.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA prices edged ahead after Monday's sharp fall in the wake of the weekend failure of talks on the international cocoa agreement. Dealers said signs of shortcovering and fresh buying by the continental European industry in recent days were underpinning the market. "But there is no fundamental reason to be friendly to this market. It has been well sold and rightly so...any rally is likely to be £20 a tonne maximum," one dealer said. On the LME, copper prices continued to reflect the situation on Comex, where supplies are tight. Metal is expected to be diverted there shortly from LME warehouses in order to alleviate the situation. "Sentiment is buoyant and any price dips continue to find solid support from Japanese and European buying," one trader said. Nickel prices benefited from cash metal buying.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.48-5.54q	-.165
Brent Blend	$17.83-7.87w	-.175
W.T.I. (1 pm est)	$19.73-9.78w	-0.17
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$207-209	+2
Gas Oil	$169-170	-2½
Heavy Fuel Oil	$88-89	-1
Naphtha	$156-158	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$361.25	
Silver (per troy oz)♣	608c	
Platinum (per troy oz)	$473.10	+1.95
Palladium (per troy oz)	$140.25	+1.25
Aluminium (free market)	$1685	+5
Copper (US Producer)	142⅝-144c	
Lead (US Producer)	40.5c	
Nickel (free market)	540c	+35
Tin (Kuala Lumpur market)	21.86r	-0.44
Tin (New York)	374.5c	
Zinc (US Prime Western)	80¼c	
Cattle (live weight)†	114.04p	-0.89*
Sheep (dead weight)†	138.50p	+2.78*
Pigs (live weight)†	104.67p	+3.03*
London daily sugar (raw)	$350.6y	+6.0
London daily sugar (white)	$430y	+6
Tate and Lyle export price	£338.5	+2.0
Barley (English feed)	£105.5	
Maize (US No. 3 yellow)	£123.75	-2.25
Wheat (US Dark Northern)	£124.5	-1.5
Rubber (spot)♥	57.50p	-0.25
Rubber (Oct)♥	60.50p	-0.25
Rubber (Nov)♥	61.25p	-0.25
Rubber (KL RSS No 1 Oct)	236.5m	-1.0
Coconut oil (Philippines)§	$502.5v	-5.0
Palm Oil (Malaysian)§	$317.5w	
Copra (Philippines)§	$295	
Soyabeans (US)	£175	-4
Cotton "A" index	82.45c	-0.20
Wooltops (64s Super)	606p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. q-Nov. z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	730	725	730 720
Dec	785	780	785 770
Mar	748	745	750 740
May	753	751	755 748
Jul	767	765	770 763
Sep	782	778	785 779
Dec	806	802	811 804

Turnover: 7019 (9657) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 18 892.99 (822.99) :10 day average for Sep 19 926.20 (930.94)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	785	772	780 762
Nov	797	784	796 776
Jan	785	781	788 771
Mar	800	795	800 785
May	820	816	820 807
Jul	840	840	830 825
Sep	875	860	859

Turnover: 2478 (2546) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 18: Comp. daily 67.58 (66.46). 15 day average 70.17 (70.17)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	313.60	315.80	318.00 310.80
Dec	315.40	318.00	318.00 314.00
Mar	306.60	309.00	311.40 305.00
May	300.00	301.80	304.00 298.80
Aug	294.00	294.20	297.00 292.00
Oct	285.40	285.60	289.00 285.00
White	**Close**	**Previous**	**High/Low**
Dec	396.00	400.00	400.00 395.60
Mar	381.00	381.50	383.00 381.00
May	378.00	378.50	379.00 378.00

Turnover: Raw 6123 (7121)lots of 50 tonnes. White 284 (703).
Paris- White (FFr per tonne): Dec 2590, Mar 2519, May 2500, Aug 2490, Oct 2450, Dec 2420.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Nov	17.72	17.79	17.71 17.57
Dec	17.56	17.64	17.55 17.42
Jan	17.46	17.60	17.42 17.38
IPE Index	17.80	17.63	

Turnover: 5498 (3829)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	168.50	168.50	167.50 165.25
Nov	164.50	165.50	165.75 163.25
Dec	163.25	164.75	163.75 162.25
Jan	162.00	163.60	162.25 161.00
Feb	159.50	160.50	159.00 158.50
Mar	155.00	158.25	154.50
Apr	152.00	153.50	151.00

Turnover 5562 (6904)lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales for the week ended September 16 amounted to 698 tonnes against 250 tonnes in the previous week. Orders moved fast with interest mainly in Pakistan, Russian and West African qualities.

JUTE
C and f Dundee: BTC $515, BWC $515, BTD $475, BWD $465, c and f Antwerp BTC $495, BWC $485, BWD $445, BTD $455.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 21,975 tonne
Cash	1671-5	1677-80	1685	1683-5		
3 months	1683-5	1683-5	1705/1677	1690-5	1683-4	30,968 lots
Copper, Grade A (£ per tonne)						Ring turnover 21,650 tonne
Cash	1887-9	1868-7	1893/1890	1889-90		
3 months	1878-9	1860-1	1885/1868	1882-3	1885-6	71,597 lots
Lead (£ per tonne)						Ring turnover 14,950 tonne
Cash	476-7	464-6	477	477-7.5		
3 months	467-8	455.5-6	471/459	467-7.5	470-0.5	12,096 lots
Nickel ($ per tonne)						Ring turnover 3,248 tonne
Cash	11580-600	11075-125	11800/11350	11700-50		
3 months	11100-50	10775-80	11250/10850	11200-50	11126-75	5,788 lots
Tin ($ per tonne)						Ring turnover 190 tonne
Cash	8100-20	8125-50		8100-10		
3 months	8205-20	8228-50	8240/8150	8200-10	8215-40	5,682 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 8,525 tonne
Cash	1670-4	1632-5	1671/1670	1670-1		
3 months	1660-2	1628-30	1665/1645	1663-5	1653-5	13,951 lots
Zinc ($ per tonne)						Ring turnover 4,850 tonne
Cash	1640-55	1610-20	1650/1641	1641-2		
3 months	1605-15	1575-80	1620	1620-5	1600-10	5,480 lots

LME Closing £/$ rate:
SPOT: 1.5706 3 months: 1.5524 6 months: 1.5341 9 months: 1.5183

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	140.0	141.0	140.0 139.0
Feb	170.0	177.0	
Apr	219.8	221.0	221.0 219.5
May	247.0	250.0	

Turnover 137 (342) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	149.00	151.00	
Dec	148.00	150.00	148.00
Feb	148.00	148.50	

Turnover 12 (27)lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/Index point

	Close	Previous	High/Low
Sep	1449	1443	1445 1443
Oct	1512	1504	1512 1499
Jan	1579	1568	1580 1565
Apr	1615	1605	1610 1600
Jul	1425	1395	1400 1398
BFI	1439	1434	

Turnover 416 (379)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Sep	104.50	104.90	105.10 105.05
Nov	106.85	107.30	107.50 106.75
Jan	110.95	111.45	111.55 110.75
Mar	113.75	114.25	114.35 113.75
May	117.15	117.65	118.00 117.05
Jun	118.60	118.85	119.00 116.60
Barley	**Close**	**Previous**	**High/Low**
Sep	100.40	101.00	100.40
Nov	103.25	103.55	103.50 103.25
Jan	107.30	107.60	107.50 107.30

Turnover: Wheat 284 (195), Barley 55 (61).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	130.0	130.0	130.0
Nov	131.5	131.1	131.5
Feb	121.0	121.0	120.5
Apr	120.5	120.5	120.5
Jun	117.5	117.0	117.5 117.0

Turnover 24 (70) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	360½-361	229½-230
Opening	360¾-361¼	229¾-230¼
Morning fix	360.65	229.962
Afternoon fix	360.65	229.787
Day's high	361¼-361¾	
Day's low	360-360½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	369-374	235-238
Britannia	369-374	235-238
US Eagle	369-374	235-238
Angel	370-375	235⅞-239⅛
Krugerrand	360-363	229-231
New Sov.	84½-85½	53¾-54½
Old Sov.	84½-85½	53¾-54½
Noble Plat	478.75-486.35	304.95-309.8
Silver fix	**p/fine oz**	**US cts equiv**
Spot	323.75	508.80
3 months	334.85	517.95
6 months	346.15	529.20
12 months	367.95	551.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1600	101	94	14	34
1700	41	44	51	82
1800	11	17	121	152
Copper (Grade A)	**Calls**		**Puts**	
2800	207	176	58	122
2900	148	129	94	173
3000	99	93	145	233
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	63	83	18	49
800	34	59	39	75
850	16	41	71	107
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700		80		33
750	65	54	30	57
800	40	35	55	88
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	88	94	15	38
1750	50	64	28	60
1800	24	38	56	86

US MARKETS

THE UNEVENTFUL consumer price index and steady US dollar kept the metals intact, reports Drexel Burnham Lambert. Trading was two-sided and prices closed near unchanged levels in the gold, silver and platinum. Copper futures had a choppy day trading over a 4 cent range before closing down. Lower comex stocks provided early support. In the softs, sugar closed lower after prices failed to hold early gains. Coffee and cocoa markets edged higher from local activity. The grains remained slow with commercial and local participation on both sides of the market. The soybean oil was up slightly as buy-stops lifted prices. The livestocks had lower prices in the belly futures as an uncertainty regarding export amounts to Poland was noted. Live hogs were firm for most of the day reflecting strong packer demand and cash pork complex. A bearish cattle on feed marketing figure weighed on the cattle futures. The energy complex was lower as scattered technical selling pressured the markets ahead of Wednesdays October crude expiration. Heavy switch trading was also noted.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	361.2	361.7	362.0	362.0
Oct	362.2	362.8	363.5	362.2
Nov	364.3	364.7	0	0
Dec	366.2	366.5	367.4	366.0
Feb	370.1	370.4	371.0	369.8
Apr	374.1	374.4	374.1	373.8
Jun	378.3	378.6	378.6	378.6
Aug	382.3	382.7	382.5	382.5
Oct	386.6	387.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	474.3	474.7	476.2	474.0
Nov	475.1	475.5	475.0	475.0
Jan	478.0	478.2	479.5	477.0
Apr	481.0	481.2	481.5	481.5
Jul	484.0	484.2	484.5	484.5
Oct	487.5	487.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	506.1	506.3	507.0	506.0
Oct	507.7	508.0	0	0
Nov	512.1	512.4	0	0
Dec	516.0	516.3	518.5	515.0
Jan	519.0	519.3	0	0
Mar	527.5	527.8	529.5	526.5
May	535.4	535.7	537.0	536.5
Jul	543.4	543.7	545.0	544.5
Sep	551.8	552.0	552.5	552.5
Dec	563.7	563.8	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 18	Sept 15	mnth ago	yr ago
1901.3	1901.5	1894.2	1868.6

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.58	129.48	128.87	132.36
Futures	130.24	130.69	130.44	134.16

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	137.00	137.80	140.60	137.00
Oct	130.35	131.30	133.20	133.20
Nov	128.45	129.80	0	0
Dec	126.95	127.70	129.90	125.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	19.78	19.88	19.80	19.65
Nov	19.53	19.60	19.56	19.37
Dec	19.25	19.29	19.30	19.12
Jan	19.02	19.04	19.06	18.89
Feb	18.89	18.88	18.92	18.75
Mar	18.76	18.76	18.83	18.67
Apr	18.73	18.70	18.78	18.58
May	18.69	18.64	18.72	18.51
Jun	18.63	18.58	18.66	18.44

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	5525	5572	5540	5485
Nov	5600	5637	5610	5556
Dec	5650	5664	5665	5595
Jan	5615	5664	5630	5580
Feb	5515	5544	5525	5470
Mar	5290	5329	5315	5270
Apr	5105	5134	5105	5070
May	4960	4994	4960	4960

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1047	1035	1053	1042
Mar	1045	1036	1053	1042
May	1059	1049	1064	1062
Jul	1078	1067	1080	1077
Dec	1124	1114	1125	1120

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	79.25	80.25	81.60	79.25
Dec	79.89	79.37	81.00	78.60
Mar	82.24	81.93	83.30	81.10
May	84.40	83.96	85.10	83.75
Jul	86.56	85.93	87.60	85.85
Sep	89.25	87.88	88.50	88.60
Dec	91.75	90.83	92.00	91.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.27	14.36	14.44	14.12
Jan	13.16	13.85	0	0
Mar	13.78	13.92	14.03	13.70
May	13.48	13.56	13.73	13.44
Jul	13.27	13.34	13.50	13.26
Oct	12.91	12.93	13.10	12.85

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	74.45	74.40	74.60	73.95
Dec	74.80	74.74	74.95	74.22
Mar	75.60	75.57	75.80	75.05
May	76.30	76.51	76.30	75.90
Jul	76.60	76.75	76.60	76.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	135.90	138.20	136.60	135.80
Jan	134.95	136.50	137.00	134.25
Mar	134.65	136.00	136.50	134.00
May	134.05	135.60	135.60	133.00
Jul	133.65	135.00	135.00	135.00
Sep	133.05	134.50	0	0
Nov	132.75	134.20	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	563/0	572/2	575/4	563/0
Nov	588/4	588/4	573/0	585/0
Jan	579/0	578/6	583/0	575/4
Mar	591/2	590/6	594/4	586/4
May	600/0	599/2	603/0	597/0
Jul	603/2	604/2	607/0	601/4
Aug	596/0	595/0	599/4	596/0
Sep	584/0	581/0	590/0	584/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.70	18.57	18.75	18.64
Oct	18.77	18.66	18.95	18.64
Dec	19.21	19.08	19.41	19.08
Jan	19.46	19.35	19.60	19.34
Mar	19.85	19.76	20.00	19.78
May	20.21	20.07	20.30	20.15
Jul	20.65	20.52	20.65	20.49
Aug	20.67	20.60	20.67	20.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	204.6	205.7	205.5	204.1
Oct	186.8	189.1	188.8	186.5
Dec	181.6	183.0	182.8	181.1
Jan	180.5	181.7	181.5	179.8
Mar	179.0	179.7	180.5	178.5
May	178.5	179.0	179.5	177.5
Jul	176.5	176.7	178.0	175.0
Aug	175.0	175.0	176.5	175.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	233/6	234/2	234/4	232/6
Dec	227/2	228/0	228/4	226/4
Mar	234/4	235/2	235/2	233/4
May	239/4	240/6	240/4	239/0
Jul	242/0	243/4	243/2	241/6
Sep	237/0	236/2	237/4	237/0
Dec	234/2	232/2	235/0	232/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	380/0	382/2	382/0	380/0
Dec	390/2	391/2	393/4	390/0
Mar	389/4	391/2	392/4	389/0
May	370/4	371/0	373/4	370/0
Jul	342/6	343/6	344/4	342/2
Sep	349/0	349/0	350/0	349/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	68.80	69.00	66.80	68.80
Oct	71.25	72.02	72.15	71.22
Dec	73.25	73.77	74.17	73.20
Feb	73.15	73.52	73.85	73.02
Apr	73.60	74.27	74.35	73.75
Jun	71.57	71.55	71.70	71.42
Aug	69.90	69.60	69.90	69.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	41.87	41.66	42.05	41.55
Dec	43.15	42.77	43.40	42.95
Feb	43.97	44.02	44.45	43.95
Apr	41.92	41.77	42.47	41.90
Jun	46.56	46.35	46.80	46.35
Jul	47.05	46.87	47.15	46.85
Aug	45.60	45.42	45.85	45.50
Oct	42.60	42.50	42.80	42.45

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	47.80	48.20	48.50	47.40
Mar	47.82	48.35	48.62	47.50
May	48.80	49.50	49.75	48.70
Jul	49.00	49.77	49.90	49.00
Aug	48.10	48.80	49.05	48.10

LONDON STOCK EXCHANGE

Equities depressed in nervous session

Account Dealing Dates			
First Dealings:	Sep 4	Sep 18	Oct 2
Option Declarations:	Sep 14	Sep 28	Oct 12
Last Dealings:	Sep 15	Sep 29	Oct 13
Account Day:	Sep 25	Oct 9	Oct 23

*New time dealings may take place from 9.00 am two business days earlier.

THE LONDON equity market's vulnerability to discomforting corporate developments was again demonstrated yesterday when share prices tumbled heavily at midsession in the face of fairly modest selling pressure sparked off by Footsie activity in the futures market.

In its current state of nerves, the equity sector reacted strongly to a bearish economic scenario for next year sketched out by Robert Fleming, the UK securities house, and to the year-end trading statement from Glaxo, the pharmaceutical group which features heavily in institutional portfolios.

Also depressing the market was further concern over impending losses on Ferranti shares after Sir Derek Alun-Jones, the chairman, warned of a possible £150m "worst case" write-off. Elsewhere, a leading UK investment bank warned of the implications for UK insurance group profits of Hurricane Hugo in the Caribbean.

Although much of this catalogue of dismay was known before trading commenced, equities tried to open firmly and were showing only small losses at mid-morning. Then in the hour before lunch the Footsie Index extended its 8 point loss into one of more than twenty two points.

There was no firm evidence of a suggested sell programme and the low level of turnover indicated that any selling pressure was light. A rally set in, however, with the announcement that Ford Motor has filed intentions of buying a stake of up to 15 per cent in Jaguar, reviving hopes of further overseas interest in the UK market.

Although Wall Street provided little encouragement, London finished well above the worst of the day.

At the close, the FT-SE Index showed a fall of 12.3 at 2,361.5, having bounced on the 2,351 mark which is regarded as the next danger area. Institutional activity was hard to pin down – one leading UK house said its retail business was comfortably two-way yesterday.

Seaq volume at 395.6m shares was higher than Monday's (315.3m) but still well below viable trading levels. A major contribution (3.7 per cent of the market total) came from Jaguar as the London market responded to the move by Ford Motor announced as Wall Street opened.

The Jaguar news provided a tonic for the motor and kindred engineering stocks, but there was little support yesterday for the international blue chips which were unsettled both by the shakeout in the Glaxo share price and by background uncertainties over the outlook for the US dollar.

The UK market is now 2.7 per cent off the most recent 1989 peak reached a fortnight ago. Predictions of a shakeout in equities continued to circulate yesterday, with the Fleming scenario warning that "1990 will be a painful year for UK companies".

FINANCIAL TIMES STOCK INDICES

	Sep 19	Sep 18	Sep 15	Sep 14	Sep 13	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.88	85.86	85.86	85.94	86.08	87.07	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.20	95.20	95.54	95.61	95.65	95.67	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1948.3	1958.9	1949.7	1995.8	1980.1	1429.9	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	203.6	204.1	207.1	204.6	205.4	168.1	207.1 (18/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2361.5	2373.6	2366.5	2382.0	2401.5	1772.1	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.18	4.09	4.11	4.08	4.05	4.84				
Earning Yld %(full)	10.01	9.87	9.92	9.86	9.78	12.15				
P/E Ratio(Net)(*)	12.04	12.21	12.15	12.23	12.32	9.98				
SEAQ Bargains(5pm)	23,053	21,430	30,678	26,190	25,149					
Equity Turnover(£m)†	-	654.35	1352.85	1460.31	914.75	715.49				
Equity Bargains†	-	23,054	31,992	26,519	41,461	17,732				
Shares Traded (ml)†	-	344.8	654.1	529.3	372.2	261.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. * Nil 11.92.

Ordinary Share Index, Hourly changes Day's High 1965.5 Day's Low 1941.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1964.7	1959.0	1954.1	1941.0	1944.6	1948.3	1947.9	1949.2

FT-SE, Hourly changes Day's High 2379.4 Day's Low 2351.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2379.4	2370.8	2365.7	2351.4	2355.3	2360.8	2360.9	2362.9

S.E. ACTIVITY

Indices	Sep 18	Sep 15
Gilt Edged Bargains	72.2	82.4
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5–Day average		
Gilt Edged Bargains	78.6	80.3
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974, †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,800	192	-4
Abbey National	6,200	154	+1
Allied-Lyons	1,100	534	-5
Amstrad	669	73	
Argyll Group	1,375	241	+1
Ass. Brit. Foods	846	404	-4
BAA	2,300	343	-1
BAT Inds.	975	819	+8
BET	918	306	-4
BICC	406	518	-2
BOC	203	524	-3
BPB Inds.	1,500	248	+1
BTR	1,200	458	-2
Barclays	975	532	
Bass	757	1068	-12
Blue Circle	739	248	+1
Boots	3,500	304	-3
Brit. & Comm.	1,000	145	-2
Brit. Aerospace	1,200	639	+1
British Airways	3,800	213	-2½
British Gas	5,400	204½	-1
British Land	709	369	-3
BP	6,600	316½	-2
British Steel	3,300	141½	-1
British Telecom	2,730	275	-½
Burmah Oil	753	623	-4
Burton	596	246½	-1½
Cable & Wireless	2,600	564	-11
Cadbury Schweppes	501	395	-5
Carlton Comms.	698	924	-9
Commercial Union	1,000	462	+1
Cookson	556	330	-6
Courtaulds	1,700	397	+2
Dalgety	436	400	-7
Dixons	2,100	152	-½
Eng. China Clays	566	465	+3
Enterprise Oil	768	587	-2
Fisons	930	340	-3
General Accident	1,100	1083	-15
General Elec.	6,800	248	-5½
Glaxo	7,100	1525	-61
Globe Inv.	189	194½	-½
Glynwed Int.	27	307	+2
Granada	828	355	+3
Grand Met.	2,600	605	-6
GUS A	519	1193	-12
GRE	971	227	-7
GKN	1,900	443	+4
Guinness	631	593	-2
Hammerson 'A'	60	805	+2
Hanson	7,800	224½	+3
Harrisons & Cros.	908	168	-2
Hawker Siddeley	243	746	-1
Hillsdown Hldgs	1,400	312	
IMI	214	248	
Imp. Chem.	694	1281	
Inchcape	2,900	295	-4
Jaguar	12,490	467	+62
Kingfisher	182	338	-1
Ladbroke	497	336	-1
Land Securities	174	570	-2
Laporte	488	506	-7
Legal & General	600	354	+3
Lloyds Bank	1,300	409	-5
LASMO	2,600	536	-6
Lonrho	1,100	282	-2
Lucas	1,850	641	+8
MB Group	237	213	-1
MEPC	580	570	-3
Marks & Spencer	1,400	209	-1½
Maxwell Comm.	2,600	199	-3
Midland Bank	1,000	372	-5
Nat. West. Bank	673	342	+1
Next	1,000	131	-1
Northern Foods	121	344	-4
Pearl	203	525	-3
Pearson	403	747	+3
P & O	1,200	693	+5
Pilkington	2,200	248	
Polly Peck Intl.	177	389	
Prudential	1,700	203½	+2½
RHM	1,100	455	+5
RMC	697	713	+14
RTZ	1,400	555	-1
Racal	5,060	221	-7
Rank Org.	119	942	-1
Reckitt & Colman	60	1216	-2
Redland	447	564	-3
Reed International	572	429	-3
Reuters	487	927	-3
Rolls Royce	12,000	190	-2
Rothmans	57	648	+1
Royal Bk of Scotland	404	171	-4
Royal Insurance	554	465	-1
STC	2,800	380	-9
Saatchi & Saatchi	283	314	-4
Sainsbury	1,500	285	+3
Scott & Newcastle	439	369	-2
Sears	1,650	124	
Shell Transport	2,400	445	-2½
Siebe	704	534	-7
Slough Ests	535	361	-3
Smith & Nephew	3,600	141½	-2
SmithKline Beecham	2,100	586	-5
Smiths Industries	403	315	+4
Standard Chartered	381	525	-3
Storehouse	352	144	
Sun Alliance	1,300	319	-2½
T&N	466	225	
TSB	1,000	116½	
Tarmac	3,800	289	+7
Tate & Lyle	412	278	-5
Taylor Woodrow	434	294	+2
Tesco	2,600	210	-1
THORN EMI	767	848	-3
Trafalgar House	1,900	388	-2
Trusthouse Forte	395	344	-3
Ultramar	922	339	-5
Unilever	955	644	+1
United Biscuits	475	387	-4
Utd. Newspapers	322	495	-1
Wellcome	847	665	-3
Whitbread "A"	999	384	-2
Williams Hldgs.	775	270	
Wimpey	538	276	

Sharp rise in Jaguar

Jaguar shares rose strongly in heavy trading on the news that Ford Motor of the US may acquire up to 15 per cent of the company, the limit for outside shareholdings imposed when Jaguar was privatised. By the close some 15m Jaguar shares had been traded with the share price showing a gain on the day of 62 at 467p.

At the peak of activity, a block of 2.5m shares was traded, but the market was unable to identify immediately who was behind the bargain. Dealers said buying had come from both domestic and international sources.

Speculation that overseas car manufacturers might be interested in taking a stake in Jaguar, a feature in the market over the past few weeks, revived early yesterday morning and by midday Jaguar shares stood out sharply against the generally weaker trend in equities.

UK market analysts of motor shares appeared divided over the purpose behind Ford's move, particularly in view of the significance of the "golden share" inserted when the group was privatised; the share, owned by the UK Government, effectively prevents a full bid for Jaguar before 1991.

Mr Peter Caldwell, analyst at Smith New Court, said: "Ford is looking for marques. They showed an interest in Alfa Romeo but presumably Jaguar will give them a luxury marque. Jaguar will benefit from Ford's research and funds."

However, Mr David Blackwood at Hoare Govett disagreed. "It is still unclear whether or not Ford is making a serious bid intent down the line. At the moment it is unclear what Ford will get out of it."

Expensive Hugo

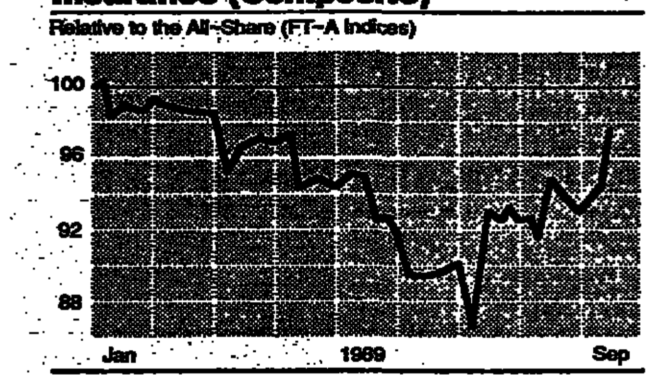
The damage wrought throughout the Caribbean region (especially in Puerto Rico) by Hurricane Hugo, and the chances of further damage from a second storm, Hurricane Iris, sent a tremor through the composite insurance sector.

Insurance analysts moved quickly to reduce their profit forecasts in view of the expected losses from the hurricane winds, with General Accident sold hard after BZW instigated a round of downgradings.

Mr David Hudson, composite insurance specialist at BZW, said Sun Alliance, General Accident and Royal Insurance have subsidiaries in Puerto Rico, but that much of the damages would be offset by reinsurance.

Insurance (Composite)

Relative to the All-Share (FT-A Indices)



The BZW analyst said the damage to General Accident could well come out at a net £30m, and that he was lowering his forecast of current year pre-tax profits by £25m from £259m to £234m.

The downgrading and general market concern over the cost of the storms saw General Accident shares sold down to 1080p before steadying and ending the session a net 15 off at 1083p; turnover came out at 1.1m shares.

Glaxo setback

The City's pharmaceutical analysts were out in force for the year-end results from Glaxo, announced early yesterday morning and featured by a round of meetings with investment institutions.

The shares tumbled heavily, but more because of some over-optimism in the market than the group's performance; pre-tax profits above £1bn for the first time (actually £1008m, in line with most predictions), was not quite good enough for some sector specialists, who had pushed forecasts as high as £1080m. The shares lost 50p very quickly, tried to rally, but turned off again when US sellers took a hand. By the close, Glaxo were 61 down at 1525p.

However, the market reaction was termed "unjustified" by the pharmaceutical team at BZW, which had predicted the profit figures accurately and expects to upgrade the shares to a buy "when the dust has settled."

Others take a less optimistic view, with Mr John Aldersley at Smith New Court winding down his Glaxo profit forecast for the current year to £1085m. At UBS Phillips & Drew, Mr Ian Moore, while believing that the group is "doing everything right for the mid-1990s", recommends switching at present into SmithKline Beecham, Wellcome or Fisons.

Hoare Govett's Ms Julie Tulloch was another to continue recommending switching into SmithKline Beecham which she sees as "substantially better value" at present.

The banks held up well in the face of the overall market weakness with NatWest, a poor performer recently, managing a minor gain at 342p albeit in relatively thin trading, still reflecting switching out of other bank stocks.

Lloyds slipped 5 to 409p on turnover of 1.3m, while Midland gave up a similar amount to 372p on turnover of 1m. Standard Chartered, a nervous market after the recent series of large selling orders, eased 3 more to 525p, and Royal Bank of Scotland lost 4 to 171p. There was further keen interest and support for Abbey National which edged up to 154p on turnover of 6.2m shares.

British & Commonwealth retreated 2 to 145p after BZW became the latest broking house to downgrade their profits forecasts for the group. Mr Chris Smith at BZW cut his profits forecast for the current year from £168m to £110 and for 1990 from £195m to £110, citing falling volumes, tight margins at Atlantic Computer, and high borrowing costs.

Composites were unsettled by the prospect of heavy exposure to Hurricane Hugo damage, although analysts said reinsurance would bear the brunt of the costs. Recent market speculation that the composite sector could be on the brink of substantial takeover activity is said to have faded into the background, but dealers report that there are plenty of speculators convinced that a friendly merger between Commercial Union and General Accident will happen eventually. Commercial Union's performance, the shares were marginally firmer at 462p on 1m shares, reflected this story, but Guardian Royal gave up 7 to 227p and Sun Alliance 2½ to 319p.

Life assurances contained a handful of firm features, notably Refuge, which moved up 14 more to 578p, still excited by the recent news that French group Athena has increased its stake in the company to over 8 per cent. Prudential, said by dealers to be around the bottom of its trading range, moved up 2½ to 203½p on 1.7m.

LASMO continued to attract bigger-than-usual interest, closing 6 off at 536p on turnover of 2.6m shares, with traders again speculating on the possibility of the group exercising pre-emption rights on parts of the BP/Oryx deal.

Clyde were heavily sold down to 156p immediately after the results but a quick re-appraisal saw them rally to close only 2 off at 159p.

The Frankfurt Motor show had also once again focused attention on the motor sector, particularly Lucas, which French and Italian car makers are said to have been watching closely as a possible addition to their manufacturing interests. With the market taking a view that motor shares are cheap, Lucas added 8 at 661p, while GKN rose 4p to 443p, both going against the market trend. Western Motor closed down 55p at 783p in spite of interim pre tax profits of nearly £5.9m, up from £4.9m last year. Dealers were nervous after the expected announcement about the proposed management buyout failed to materialise. However, Mr Keith Williams, analyst at BZW, said: "The market has got to realise these things take time. I expect an announcement around the begining of November."

W Canning, the chemicals group, dropped 12 to 289p after announcing a £16.7m rights issue along with the interim results.

The building sector provided two of the Footsie's best performers in Tarmac and RMC. The former were finally 7 ahead at 289p on turnover of 3.9m after revealing interim pre-tax profits up 23 per cent at £153.8m – the top end of expectations – and an interim increased from 2.5p to 3p. The excellent Tarmac figures were taken as a pointer to those of RMC, due tomorrow, and RMC shares gained 14 to 713p.

Talk of difficulties encountered during the testing of the Manoplax heart drug, of unforeseen problems with the recently acquired Ward White, and of a broker's downgrading took the early shine off Boots. The shares dropped from 308p to 302p in quick time before settling back at 304p, down 3 on the day on turnover of 3.5m.

The speculation surrounding Manoplax was that there could be an unexpected delay over its registration in the US, but Boots quickly denied that there were any problems with the Manoplax trials. Boots has applied for registration of the drug in both the UK and US initially as a treatment for congestive heart failure, with plans for an application for hypertension at some later stage.

Jewellery group Ratners fell 4 to 276p as the market digested news of its plans to reduce gearing via the issue of preference shares in the US and the UK. Scottish retailer Goldberg fell 4 to 164p on diminishing hopes that the contested all-paper £32m bid from Blacks Leisure (down ¼ at 7¼p) will succeed.

Cable & Wireless (C&W) were a poor market, the shares closing 11 lower at 564p on turnover of 2.6m, with UBS Phillips & Drew, the securities house, advising clients to switch out of C&W and into Racal Electronics. C&W has issued a prospectus for its forthcoming ADS listing in the US, and the broker has highlighted the impact of the downward revision of C&W earnings when US accounting practices are used.

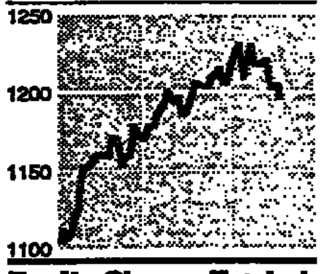
Market speculation that a takeover of Ferranti might involve the participation of one or more of the UK electronics groups was rejected by one specialist, who said "STC and Racal won't go for it and GEC wouldn't be allowed to," but he said British Aerospace or even GKN could well be likely candidates.

Asda traded nervously in front of today's annual meeting, the shares dropping to 190p before recovering slightly to end a net 4 down at 192p on turnover of 4.8m. Asda recently confirmed that it will be buying 61 former Gateway superstores from Isosceles for £705m, a deal that will effectively increase the group's gearing to 85 per cent. Although it is thought to have an innovative property deal up its sleeve ready to boost earnings this year, analysts are concerned that Asda may be considering launching a rights issue to reduce gearing further.

In a dull manufacturing sector Ranks Hovis Macdougall stood out, rising 5 to 455p in a protracted bear squeeze.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 33

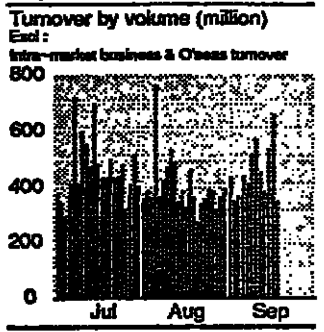
FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excl: Intra-market business & O'seas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (38).

AMERICANS (3) American T & T, BellSouth, Pall Corp., BANKS (1) Schroders, BREWERS (1) Bulmer (H.P.), BUILDINGS (1) Lovell (Y.J.), STORES (1) Menzies (J), ELECTRICALS (2) MTL Instruments, Pegasus, ENGINEERING (3) Brake Bros., Salvesen (Christian), Vosper Thornycroft, HOTELS (1) Stakis, INDUSTRIALS (4) Bridon, Eurocopy, Ipeco, Rolfe & Nolan, INSURANCE (2) Dom. & Gen., Refuge, LEISURE (2) Prestwich, MOTORS (3) Jaguar, PAPERS (3) Norton Opax, Tempus (2) Courtaulds, TRUSTS (7) Baillie Gifford Sh. Nip., EFM Dragon Tst., European Assets, Fleming Japanese, Mid Wynd Inv. Tst., Rights and Issues Inv., St. Andrews Tst., OILS (3) Cairn Energy, Carless Capel, Occidental Pet., Premier Cons., Texaco Spc. OVERSEAS TRADERS (2) Dalgety, Finlay (James), MINES (1) Metals Ex.

NEW LOWS (41).

CANADIANS (1) Breakwater, BANKS (1) TSB Channel Islands, BUILDINGS (4) Baldwin, Danbury, Fed. Housing, Wiggins, CHEMICALS (2) Evode, Gaynor, STORES (1) Executex, ELECTRICALS (7) Arlen, MMT Computing, Newmark (Louis), Nokia, R&V Info Systems, Star Comp., Wholesale Ftg., ENGINEERING (1) Lee (Arthur), INDUSTRIALS (8) ASD, Beanwood, Burndene, Darby, Fenner (J.H.), Oakwood, Reliant, Savage, MOTORS (2) Dagenham Motors, Hartwell, Trimoco, PAPERS (3) Aspen Comms., Austerprint, Waverley Cameron, PROPERTY (1) Regalian, TEXTILES (2) Mackay Hugh, Tomkinsons, TRUSTS (4) Brit & Comm., London Forfaiting, Newmarket Venture Cap., Smith New Court Fi., OILS (1) Cons-Tek Res. Inc., MINES (1) McFinley Red Lake, THIRD MARKET (1) Swanyard Studios.

APPOINTMENTS

Midland finance director designate

■ Mr Richard Delbridge will be joining MIDLAND GROUP on November 1 and in due course will succeed Mr Ian Tegner on the group board as finance director.

Mr Delbridge moves to Midland from J.P. Morgan, where he is a managing director of Morgan Guaranty Trust Co, and the general manager of its London office. He is on the board of The Securities Association.

■ Mr Tony Ewell has been appointed head of the emerging markets division of CORPORATE BROKING SERVICES. He will be assisted by Mr Mark Smith and Mr Ian Rolfe. All three join from James Capel & Co.

■ Mr Bill Fraser has been appointed managing director of SOUTH WEST WATER SERVICES, and a main board director. He has been running his own engineering company based in process control systems and project management. Previously he was chairman and chief executive of Humphreys & Glasgow.

Alexander Howden senior posts

■ ALEXANDER HOWDEN, a subsidiary of Alexander & Alexander Services, has appointed Mr Oliver Prior as chairman of the non-marine strategic business unit (SBU), and to the company's executive committee. Mr Michael Gauge becomes chairman of the special risks SBU, and joins the board.

Mr Prior is responsible for international and North American business, both property and casualty, and for the captive division. Mr Gauge is responsible for special risks activities, including Holmes Johnson Lessiter, covering specialist banks and financial institutions, and Halford, Shead & Co, which handles insurances for jewellers, specie and bullion, together with personal accident and contingency insurance.

Alexander Howden Reinsurance Brokers has appointed Mr Timothy Beauchamp as a director. He is responsible for developing financial classes of reinsurance.

■ MERIVALE MOORE has appointed Mr Jim Neill as a director. He is manager, commercial investment and trading division.

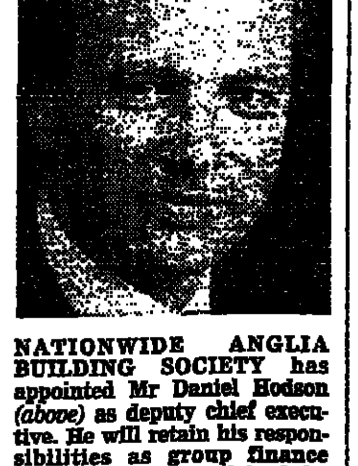
■ STANDARD LIFE ASSURANCE COMPANY has reorganised its pensions administration, resulting in the following appointments from October. Mr Bob King, senior administration manager (pensions); Mr Bill Rogerson, Mr Bob Pyper and Mr Ronnie Collard, administration managers (pensions); Mr Ken Campbell, marketing administration manager; and Mr David Miller, investment administration manager.

■ Mr John Furnival, group property director of The Oliver Group, has been elected president of the PROPERTY MANAGERS ASSOCIATION for the third time.

■ Mr Richard Hayes, a senior commercial partner at Manchester solicitors Addleshaw Sons & Latham, has joined the board of SCHOLES GROUP, Wilmslow, as a non-executive director.

■ INTERNATIONAL COMMUNICATION AND DATA has appointed Mr Nigel Balcombe as chairman, succeeding Mr D. Unger who remains a director but will devote more time to his other businesses. Mr Luke Johnson and Mr Dennis Baker have been appointed non-executive directors. Mr J. Brim, a non-executive director, is not seeking re-election at the coming annual meeting.

■ Mr Mark L. Bye has been appointed joint managing director and general manager of ANCHOR CHEMICAL GROUP, Manchester, an Air Products company. He succeeds Dr Colin G. Tilley, who retired last month but continues as a consultant and non-executive director. The other joint managing director, Mr Robert W. Deacon, also becomes group chairman. Mr Bye was general manager of Air Products' European chemicals group, based in Holland.



NATIONWIDE ANGLIA BUILDING SOCIETY has appointed Mr Daniel Hodson (above) as deputy chief executive. He will retain his responsibilities as group finance director. Mr Hodson joined the Society last April from Davidson Pearce Group, where he was chairman and chief executive. Prior to that he was group finance director of Unigate, and president of Unigate Inc. He is on the board of the Post Office and chairman of the Post Office Audit Committee.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	57 13	57 69	61.38	-0.11	4.46
Gilts & Fixed Int	6	109.40	109.70	116.30	+0.30	8.60
High Inc Equity	6	140 73	143.50	152.70	+0.10	4.16
Worldwide Bond	6	204 10	204.10	216.20	-0 80	4.90
Capital Growth						
American Growth	6	203 50	205 60	218 80	-0 10	0 87
Asian Pacific	6	113 60	115 90	123.30	-1.30	1.05
Assets & Earnings	6	166 70	166 70	176 30	+0 40	2 98
Capital Reserve Acc	0	87 03	87 03	87 06	-0.13	4.59
Capital Reserve Inc	0	77 25	77 25	77 25	+0 11	5 18
Comdty & Energy	6	114 70	117 90	125 50	-0.30	1.51
1992 Enterprise	6	61 33	63 04	67 07	+0 18	1.91
Euro Capital Acc	6	95 58	96.35	102.50	+0.50	0 73
Euro Capital Inc	6	92 16	92.91	98 85	+0.50	0.76
General	6	185 80	185 90	197 30	-0 70	2.52
International	6	54 52	55.25	58 78	-0.36	0 85
Japan	6	115.30	117 10	124.60	-0 70	0 00
Mastertrust	6	92.61	92.61	99 05	-0 06	1.72
UK Growth Acc	6	208.40	208 40	222 90	+0 80	1 26
UK Growth Dist	6	139 10	139 10	148 80	+0.60	1.88
US Emerging Cos	6	56 61	56 61	60.55	+0 01	0 00
Income & Growth	6	319.30	325.80	346 60	+1.50	2.96
Ethical	6	51.30	52.59	55 95	+0 06	1 79

Abtrust Management Ltd (1000)H

10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	34.37	34.37	36 69	-0 17	2.82
European	5¼	73 68	73 76	78.74	+0 06	0.00
European Income	5¼	69.51	69 51	74 20	+0 06	2.57
Exempt	1	849 2	849.2	883.2	-1.40	1 80
Extra Income	5¼	46.17	46 17	49.29	-0 01	4 30
F East Emerg Econs	5¼	59 42	59.56	63 79	-0 62	0 41
Fund Inv Tst	5	135 4	135 4	144 6	+0 20	1.93
Do Accum	5	210 9	210 9	225 1	+0 30	1.95
Gilt & Fixed Int	5¼	21 24	21 64	23.33	-0 12	10 38
Income & Growth	5¼	77 52	77.52	82 75	+0.04	3 63
Intl Income	5¼	68 65	68 65	73 28	-0.10	4 68
Japan	5¼	199.8	199.8	213.3	-0 60	0 00
Pacific	5¼	431.5	431.5	462.1	-1.30	0.37
Secure Income	9	210.4	210 4	224 6	-0.30	5 47
Smaller Companies	5¼	63 64	63 64	67.93	+0 12	1.96
Special Situations	5¼	75 58	75.58	80.69	+0 12	1 17
UK Growth	5¼	40.83	40 83	43.59	-0 08	2.10
World Growth	5¼	55 30	55.30	59.03	-0 06	0.12

Acorn Unit Trust Managers Ltd (1100)F

1 White Hart Yd, London Bridge SE1 1NX 01-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Ethical Tst	5	100.6	105.3	110.5	-1	2.62
Do Accum	5	102.6	107.3	112.7	-1	2.62

Aegis Unit Tst Mngmt Ltd (1400)F

94 Whiteladies Rd, Bristol, BS8 1QX 0272 237593

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth	6	50 69	51.55	54 84	-0 57	1.90
Managed Income ♦	3	50.16	50.16	51.66	+0 01	5 00
CAMco Intl Recovery	5	52.40	52 40	56 02	-2 11	1 69
Clifton Prem Perf	6	53 74	54.78	58 28	+0 01	1.60
Global Sector P'folio ♦	6	50 14	50.87	54.19	+0 07	3 00
IPS Income & Gwth	6	54 25	55 24	58.77	-0.18	5.00
St Nicolas St Gth Inc	5	49.32	49 9	53 43	-0 44	4 70
St Nicolas St Gth Acc	5	50.57	51 22	54.78	-0 45	4.70
Blackstone Franks UK	5	47.35	48.58	51.14	-0 18	1.50
Blackstone Franks UK Acc	5	48 13	49.37	51.97	-0.19	1.50
Blackstone Franks Int	5	58 15	59 80	62.95	+0 01	1.50
Blackstone Franks Int Acc	5	58 66	60.32	63.50	+0 01	1.50

AEtna Unit Trusts Ltd (1600)F

AEtna House, 2-12 Pentonville Road, London, N1 9XG
Dealing 0277 261010 Advice 01-837 6494

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Growth	5	156.2	156 2	167.6	-0 90	0.73
Exempt	2	460 0	460 0	481 6	-0 60	4.92

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	64.24	67.48	71.78	+0.26	6.61
European	5	77.90	78.19	83.18	-0.02	0.09
Far Eastern	5	63.08	68.62	73.00	-0.44	0.58
Growth Inc	5	87.38	90.82xd	96.61	-0.30	1.41
Growth Acc	5	87.46	90.89xd	96.69	-0.30	1.26
Income Inc	5	84.61	87.06xd	92.61	—	4.59
Income Acc	5	84.72	87.16xd	92.72	—	4.59
Property Share	5	54.92	54.92	58.54	+0.02	1.00
Smaller Co's	5	57.92	57.92	61.74	-0.29	1.54
Nth American	5	68.80	68.80	73.57	-1.00	1.48
International	5	51.57	51.57	55.14	-0.02	1.36
Wright Seligman Fund Mngs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	116.86	116.86	123.01	—	3.87
UK Growth	5	95.00	95.00	100.00	—	0.00
UK Income	5	95.00	95.00	100.00	—	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	65.13	67.42	71.72	—	2.52
YUTM UK Eqty Inc Tst	5¼	60.59	62.82xd	66.83	+0.02	3.74
YUTM Intl Gwth Tst 4	5¼	55.02	55.02	58.71	-0.28	0.75

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	505.81	—	—
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Aug 31		353.48	—	4.61
Fxd Int Sec Aug 31		141.85	—	10.08
Deposit Aug 31		100.00	—	13.45
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc Sept 13	164.1	168.3xd	-1.30	9.96
C'inco Acc Sept 13	689.8	707.5xd	-1.10	9.96
C'share Inc Sept 13	164.6	170.7xd	-1.30	4.05
C'share Acc Sept 13	182.2	189.1xd	-1.40	4.05
Charities Official Invest. Fund‡‡				
[illegible]				

	Bid Price	Offer Price	+ or −	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Sterling Metro	139.3	146.6	-1.9	—
UK Metro	125.6	132.1	+0.6	—
N Am Pn Fd Acc(z)	274.1	288.4	-1.7	—
Pac Basin Pn Acc(z)	202.5	213.1	-2.6	—
Property(z)	609.3	641.3	+0.1	—
Mtple Inv Pens Acc(z)	1545.0	1626.3	-1.8	—
Dunbar Funds				
Prof. Pen. Fd	101.3	106.6	-0.1	—
YRA Strategy	127.1	133.7	-0.1	—
YRA Performance	109.3	115.0	-0.1	—
Langham Dollar (SE)	144.5	151.8	+0.2	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc.	266.3	280.4	+0.1	—
Equity Acc.	913.0	961.1	-0.2	—
Property Acc.	511.3	538.3	—	—
Far East Acc.	217.2	228.7	-0.8	—
European Acc.	25.2	26.6	-0.1	—
Managed Acc.	714.1	751.7	-0.2	—
Managed Cap.	403.2	424.5	-0.1	—
O'seas Earnings Acc.	615.1	647.5	+1.3	—
Gilt Edged Acc.	317.6	334.4	+0.5	—
American Equity Acc.	487.9	513.6	-1.7	—
American Man. Acc.	224.9	236.8	-0.9	—
American Prop Acc.	150.6	158.6	-1.0	—
Pen. F.I. Dep. Cap.	294.2	309.7	—	—
Pen. F.I. Dep. Acc.	508.8	535.6	+0.2	—
Pen. Prop. Cap.	597.8	629.3	-0.1	—
Pen. Prop. Acc.	1144.2	1204.5	-0.1	—
Pen. Man. Cap.	876.5	922.7	-0.4	—
Pen. Man. Acc.	1676.6	1764.9	-0.7	—
Pen. Gilt Edg. Cap.	317.3	334.0	+0.3	—
Pen. Gilt Edg. Acc.	496.0	522.2	+0.6	—
Pen. Eq. Cap.	1453.0	1529.5	-0.8	—
Pen. Eq. Acc.	2104.9	2215.7	-0.8	—
Pen. Am. Eq Cap.	162.8	171.4	-1.0	—
Pen. Am. Eq Acc.	200.8	211.4	-1.1	—
Pen. Far East Cap.	257.4	271.0	-1.6	—
Pen. Far East Acc.	316.2	332.9	-1.9	—
Pen. Euro Cap.	30.5	32.2	+0.1	—
Pen. Euro. Acc.	33.5	35.3	+0.1	—
Pen. B.S. Acc.	559.5	587.5	+0.3	—
Pen. B.S. Cap.	332.6	349.3	+0.1	—
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INSURANCES

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FT UNIT TRUST INFORMATION SERVICE

Premium Life Assurance Co Ltd
37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	129 0	136 0	..	-
Building Soc. Fd.	174 0	184 0	..	-
Balanced	292.0	308 0	..	-
European	193 0	204 0	+1.0	-
GT Managed	192 0	203.0	+1.0	-
Gartmore Mngd.	128 0	135 0		-
German	138.0	146.0	+1.0	-
Gilt	180 0	190 0	-2.0	-
Global	80 0	83.0	.....	-
High Inc	121 0	128 0		-
International Equity	205 0	216 0	+1.0	-
Japan	266 0	280 0	..	-
Managed	62 0	66 0	..	-
Property	292 0	308 0	..	-
R W Imperial Gold	155 0	164 0		-
UK Equity	364 0	384.0	+1 0	-
Pension Funds				
American	153 0	162 0	..	-
Building Soc. Fd.	176 0	186 0	.	-
Balanced	227 0	239.0	.	-
European	192 0	203 0	...	-
German	121 0	128 0	.	-
Gilt	159 0	168 0	.....	-
International Equity	148 0	156 0	.	-
Japan	145 0	153 0	..	-
Managed	67 0	71 0	.	-
Property	224 0	236 0	..	-
UK Equity	333 0	351.0	..	-

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Managed Fund	98 27	103 89	.	-
Pensions Cash Fund	79.51	83 69	..	-

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	628.9	662 7	-1 6	-
Adventurous Mngd	136 7	144 1	-0 4	-
Secure Mngd.	113 0	119 1	-0.2	-
Cash Fd	238.0	250 6		-
Property Fund	294 5	313 4		-
Equity Fund	715 0	753 5	-2 9	-
Fxd Int. Fund	303 6	320 0	+1 0	-
International	327 3	345 2	-1 6	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	594 8	626 2	-3.2	-
Equity	862 6	908.1	-0 8	-
Global Equity	258 3	271 9	-1.3	-
Fixed Interest	413 2	435 0	..	-
Property	409.1	430 7	+0 8	-
Cash	161 3	169 8	..	-
Index Linked Gilt	203 8	214.6	+0.1	-
Guaranteed	12 93		..	-
International Money	206.8	217 7	-0.1	-
North American	82.7	87 1	-0 6	-
Japanese	149 8	157.7	-0 4	-
European	106 0	111 6	+0 8	-
Special Situations	123.5	130 1	-3.5	-
Communications	113 4	119 4	-0 2	-
Smaller Companies	116 6	122 8	+0.1	-
International Small Cos.	145.8	153 5	-0.5	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Sept 13	£168 19	173 67	...	-
Equity Sept 13	£185.59	192.50	...	-
International Sept 13	£28.79	29.42	.....	-
Intl Bond Sept 13	£12.76	12 91	...	-
Fixed Int Sept 13	£74 09	74 90	...	-
Index Linked Sept 13	£63 55	64.34	...	-
Property Sept 13	£114 49	121.21	...	-
Cash Sept 13	£21.5749	21.5749	.	-
Pru-Linked Retirement Plan				
Managed Sept 12	311.3	428 5	.....	-
Cash Sept 12	202.5	211 0	..	-
Prudential Pensions Investment Account				
Pens Mngd Sept 15	164 2	176 6	+0.5	-
Pens UK Eq Sept 15	316.3	341 4	+0.5	-
Pens Intl Sept 15	198.6	213 7	+1 4	-
Pens Fixed Sept 15	169 1	178 8	-0.5	-
Pens Index Lk Sept 15	161.8	170 4	..	-
Pens Cash Sept 15	132 2	139.2	.....	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	124 6	131.1	+0.2	-
Balanced Ptflio Fd	326 4	343.5	+0 6	-
Cautious Ptflio Fd	124.3	130 8	..	-
Elite Fund	117 5	123 6	+1.1	-
European Fund	94.4	99 3	-0.3	-
Far East Fund	108 4	114 0	-0 5	-
Fixed Interest Fund	243.4	256 2	+0.1	-

Reliance Mutual

Royal Heritage Life Assurance Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Amicable—Contd.

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Windsor Life Assur. Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

JERSEY (**)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99⅞	98¼	Exch 11pc 1989	99⅞xd	.....	–	–
99¾	95⅝	Treas 5pc 1986–89	99⅝xd	.....	–	–
99½	98⅝	Exch 10¼pcCv '89	99½	.....	10.31	13.04
101⅞	99⅞	Treas 13pc 1990‡‡	99¾	.....	13.02	12.93
132⅝	124	Treas 2pc IL '90(84.6)	132⅝	.....	2.09	9.98
99⅞	98⅞	Exch 11pc 1990‡‡	99⅞	–⅛	11.08	12.72
101⅞	99⅞	Exch. 12½pc 1990	99⅞xd	.....	12.54	13.21
95¼	91⅝	Treas. 3pc 1990	95⅝	.....	3.14	10.23
97¾	95⅝	Treas 8¼pc 1987–90‡‡	97⅛	.....	8.48	12.14
98⅞	95¼	Treas. 8pc Cv 1990 ‡‡	96⅝	.....	8.26	12.13
98⅞	96⅛	Treas. 10pcCv 1990	97⅞xd	+⅛	10.26	12.58
93⅞	87⅞	Exch 2½pc 1990	92⅞	.....	2.69	9.09
101⅞	98⅞	Treas 11¾pc 1991	99⅛	+⅛	11.83	12.26
93¾	89⅞	Funding 5¾pc '87–91‡‡	93¼xd	.....	6.17	10.63
90¾	86⅞	Treas. 3pc 1991	90¼	.....	3.32	9.54
100⅞	95⅞	Treas 10pc Cv '91 ‡‡	96⅞	+⅛	10.32	11.93
101⅞	97⅞	Exch. 11pc 1991	98⅝xd	.....	11.15	11.78
94⅛	91⅞	Treas. 8pc 1991	92⅞	+⅛	8.61	11.70
106⅞	102⅛	Treas 12¾pc 1992‡‡	102⅞	+⅛	12.40	11.29
99½	95⅞	Treas 10pc 1992	97⅛	+⅛	10.30	11.37
94⅞	91	Treas. 8pc 1992 ‡‡	92⅞xd	+⅛	8.63	11.37
100¾	96⅞	Treas 10½pc Cv 1992‡‡	98¼	+⅛	10.69	11.26
85⅝	82¼	Treas. 3pc 1992	84⅞	.....	3.54	9.44
105⅞	101¼	Exch. 12¼pc '92	102⅞	+⅛	11.96	11.24
109¼	104⅞	Exch 13½pc 1992	105⅞xd	+⅛	12.74	11.13
94⅞	90⅞	Treas 8¼pc 1993	92¼	+⅛	8.93	10.97
100⅞	95⅞	Treas 10pc 1993‡‡	97⅞xd	.....	10.26	10.88
108¾	103⅞	Treas 12½pc 1993‡‡	104⅞	.....	11.92	10.89
88⅞	84¾	Funding 6pc 1993‡‡	86⅞	.....	6.91	10.07
113¾	108¼	Treas 13¾pc 1993‡‡	109⅞	.....	12.55	10.80
94⅝	89⅝	Treas. 8½pc 1994	91⅞	.....	9.25	10.86
117⅞	112⅛	Treas 14½pc 1994‡‡	113⅞	.....	12.79	10.64
113⅞	107⅞	Exch 13½pc 1994	109⅞	–⅛	12.34	10.83
100⅝	95⅞	Treas. 10pc Ln. 1994‡‡	97½	.....	10.25	10.66
110¼	104⅞	Exch. 12½pc 1994	106⅞	–⅛	11.76	10.80

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
96⅞	91⅞	Treas 9pc 1994‡‡	93⅞	.....	9.60	10.58
108⅞	102⅞	Treas 12pc 1995	104⅞	.....	11.46	10.78
79⅞	74½	Exch 3pc Gas 90–95	76	–⅛	3.95	8.45
101⅞	95¾	Exch. 10¼pc 1995	98⅞	.....	10.44	10.65
113⅞	107⅛	Treas 12¾pc 1995‡‡	109½	–⅛	11.64	10.59
119⅞	112⅝	Treas. 14pc '96	114⅝	–⅛	12.21	10.73
97½	91⅞	Treas. 9pc 1992–96‡‡	93⅞	–⅛	9.60	10.34
126⅞	119⅞	Treas 15¼pc 1996‡‡	121⅞	–⅛	12.54	10.60
117⅞	110	Exch 13¼pc 1996‡‡	112⅞	.....	11.78	10.58
101⅞	94⅞	Conversion 10pc 1996	97½	–¼	10.25	10.48
118⅛	110¼	Treas 13¼pc 1997‡‡	113½	–¼	11.67	10.53
104⅞	97⅛	Exch 10½pc 1997	100⅛	–⅛	10.48	10.45
95⅞	88¾	Treas 8¾pc 1997‡‡	91⅞	–⅛	9.52	10.27
128⅝	120⅞	Exch 15pc 1997	123	–⅛	12.16	10.65
100⅞	93⅞	Exch. 9¾pc 1998	96⅞	–⅛	10.09	10.34
84⅞	78⅝	Treas 6¾pc 1995–98‡‡	81⅞	–⅛	8.27	9.96
134⅞	125⅞	Treas. 15½pc '98‡‡	128⅞xd	–¼	12.04	10.49
113⅞	105¼	Exch. 12pc 1998	108⅞	.....	11.02	10.45
100¾	93⅞	Treas 9½pc 1999‡‡	96⅞	–⅛	9.85	10.07
115⅞	107⅛	Exch. 12¼pc 1999	110⅞xd	.....	11.05	10.41
105⅝	97⅞	Treas. 10½pc 1999	101	–⅛	10.38	10.30
104⅞	96⅛	Conversion 10¼pc 1999	99⅞	–⅛	10.27	10.27
94⅞	86⅞	Treas. 8½pc Ln 2000‡‡	90⅞	–⅛	9.41	10.01
97⅞	90	Conversion 9pc 2000‡‡	93⅞	–⅛	9.63	10.03
122⅞	113⅞	Treas. 13pc 2000	116⅝	–⅛	11.14	10.39
103⅝	95⅝	Treas 10pc 2001	99¼	.....	10.09	10.12
124⅞	115½	Treas. 14pc '98–01	118⅞	–⅛	11.78	10.60
102⅞	94⅞	Conversion 9¾pc 2001	97¼	.....	9.97	10.07
113⅞	105½	Exch. 12pc '99–02	108⅞	.....	11.02	20.46
104⅞	96⅞	Conversion 10pc 2002	99⅞xd	+⅛	10.01	10.01
102⅞	94⅞	Treas 9¾pc 2002	98⅛	.....	9.92	9.97
97⅞	89⅞	Exch. 9pc 2002	93⅛	.....	9.64	9.89
126⅞	117⅛	Treas. 13¾pc 2000–03	121¼	.....	11.34	10.43
105⅝	97¼	Treas 10pc 2003	101⅛	.....	9.87	9.84
113⅞	104⅞	Treas. 11½pc 2001–04	108⅞	.....	10.63	10.26
106⅞	97⅝	Treas. 10pc 2004	101½	.....	9.86	9.80
59⅞	55⅛	Funding 3½pc '99–04	57⅝	.....	6.08	8.63

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102⅞	94¼	Conversion 9½pc 2004	98⅞xd	–⅛	9.67	9.73
103⅞	94½	Conversion 9½pc 2005	98⅞xd	–⅛	9.65	9.70
111⅛	102⅞	Exch.10½pc 2005	106⅞	–⅛	9.86	9.69
125⅞	115⅝	Treas. 12½pc 2003–05	119⅞	–⅛	10.45	9.89
90⅞	82⅞	Treas. 8pc 2002–06‡‡	86½xd	–⅛	9.25	9.62
105⅞	97⅞	Conversion 9¾pc 2006	101	–⅛	9.66	9.63
118⅞	109⅛	Treas. 11¾pc 2003–07	113½	–⅛	10.35	9.89
96⅛	87⅞	Treas 8½pc 2007 ‡‡	91⅞	–⅛	9.28	9.47
134⅝	123⅝	Treas. 13½pc '04–08	128⅞xd	–⅛	10.53	9.82
101⅛	92⅞	Treas. 9pc 2008 ‡‡	96⅞xd	–⅛	9.35	9.42
92⅛	84⅛	Treas 8pc 2009	87⅞xd	–⅛	9.13	9.38
102⅞	93⅞	Conv 9pc Ln 2011 ‡‡	96⅞	–⅛	9.27	9.31
68⅞	62⅞	Treas. 5½pc 2008–12‡‡	65⅞	.....	8.44	9.16
89⅞	82⅞	Treas. 7¾pc 2012–15‡‡	85⅞	.....	9.09	9.27
132⅞	121¼	Exch. 12pc '13–17	125⅞	–⅛	9.57	9.33

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45⅝	41½	Consols 4pc	42⅞	.....	9.43	–
40⅝	36⅝	War Loan 3½pc‡‡	37⅞	.....	9.27	–
70⅞	60⅞	Conv. 3½pc '61 Aft.	64⅛xd	.....	5.41	–
41⅞	31⅞	Treas. 3pc '66 Aft.	34xd	.....	8.82	–
30⅝	26	Consols 2½pc	26⅞xd	.....	9.32	–
29½	25¾	Treas. 2½pc	26⅞xd	.....	9.41	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
112¼	103⅞	Tr. 2pc '92‡‡(97.8)	111⅝xd	–⅛	2.07	3.20
105⅞	94⅞	Do. 2 '94 (102.9)	104¼	.....	2.49	3.10
155⅞	139¼	Do. 2pc '96(67.9)	153⅞	–⅛	2.77	3.19
130⅞	118⅞	Do 2½pc '01(78.3)	129⅞xd	–⅛	3.26	3.54
127⅞	115⅝	Do. 2½pc '03(78.8)	126⅞	–⅛	3.35	3.59
131⅞	117⅞	Do. 2pc '06(69.5)	129⅝	–⅛	3.39	3.59
123⅞	110¼	Do. 2½pc '09(78.8)	120⅞	–⅛	3.41	3.59
128	114⅞	Do. 2½pc '11(74.6)	126⅞	–⅛	3.41	3.58
106¼	95¼	Do. 2½pc '13(89.2)	104⅝	–⅛	3.40	3.55
115⅛	101⅛	Do. 2½pc '16(81.6)	113½	–⅛	3.36	3.51
112⅞	100⅞	Do. 2½pc '20(83.0)	111⅞xd	–⅛	3.33	3.46
95⅞	84⅞	Do. 2½pc '24‡‡(97.7)	93¼	–⅛	3.29	3.42

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1989: 111.0 and for August 1989: 115.8.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108⅞	99½	African Dv Bk 11¼ Ln 2010	103¼	–⅛	10.77	10.72
104⅝	96⅞	Asian Dev Bk 10¼pcLn2009	99⅞	–⅛	10.31	10.31
130⅞	119⅞	Australia 13½pc 2010	123⅝xd	–⅛	10.94	10.67
113⅞	102⅞	Do. 11½pcLn2015	106⅞	–⅛	10.68	10.62
108⅞	99⅞	Euro Inv Bk 11pc Ln 2002	103½	.....	10.63	10.50
104⅞	95⅞	Do. 10¼pc2004	99⅞	.....	10.45	10.46
119⅞	109⅞	Int-Am Dev Bk 12½pc 2003	112⅞	.....	11.08	10.66
99⅝	90⅞	Do. 9¾pcLn 2015	94⅞	–⅛	10.33	10.38
97½	91½	Mlysia 10¾pcLn 2009	95xd	.....	11.32	11.39
120	115	Utd. Mexican States 16½pc 2008	115	.....	14.35	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	100½	.....	13.43	11.20
111½	102½	Do. 11½pc 2012	104½	.....	11.00	11.00
91	86½	GLC 6¾pc 1990–92	88½xd	.....	7.63	12.20
124½	114½	Leeds 13½pc 2006	119½xd	.....	11.30	10.94
33	30	Liverpool 3½pc Irred	32xd	.....	10.94	–
95½	92	LCC 6¾pc '88–90	94½	.....	7.14	11.90
30	27	Do. 3pc '20 Aft.	28xd	.....	10.71	–
107½	101½	Manchester 11½pc 2007	103½	.....	11.11	11.05

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988–92	88¼	.....	8.17	11.80
206	206	S Rhod 2½pc Non-Assld	206	.....	–	–
84½	84½	Do. 4½pc 87–92 Assd.	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99⅞	99⅛	N'wide Anglia 12⅞pc 2.10.89	99⅞	.....	12.32	14.14
99⅞	98⅛	Do. 11⅞pc 6.11.89	99⅞	.....	11.86	13.95
100	98⅞	Do. 12⅜pc 4.12.89	99½	.....	12.37	14.00
100⅛	99⅛	Do. 12⅞pc 2.1.90	99⅛	.....	12.57	13.93
100½	98⅝	Do. 12⅞pc 29.1.90	99⅝	.....	12.64	13.96
100	98⅝	Do. 12⅞pc 26.2.90	99⅝	.....	12.77	13.94
100	98⅞	Do. 12⅝pc 19.3.90	99⅞	.....	12.94	13.96
100⅞	99⅛	Do 13⅛pc 23.4.90	99⅞xd	.....	13.30	14.30
100	99	Do. 13pc 14.5.90	99⅞	.....	13.09	13.99
100	98½	Do. 13⅞pc 4/6/90	99⅞	.....	13.73	13.99
100⅞	100	Do. 14⅞pc 2.7.90	100¼	.....	14.28	13.80
100½	99⅞	Do. 13⅝pc 23.7.90	99⅞	.....	13.65	13.77
107	96½	Do. 3⅞pcIL Ln 2021	104½xd	.....	4.2%	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	45	Met. Wtr 3pc 'B'	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	18.75
45	40	Do 6pc 28 Stb Ass.	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139⅞	128⅞	Hydro Quebec 15pc 2011	132⅞	–⅛	15.00	11.02
128⅞	118⅞	Iceland 14½pc Ln 2016	123¼xd	–⅛	14.50	11.63
97¼	91½	Ireland 9¾pc '91–96	92½xd	.....	9.75	11.30

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
41⅛	26⅛	Abbott Laboratories‡	41⅛xd	–⅛	$1.40	–	2.2
579p	361p	♦Allegheny & W 1c	479p	–3	30c	–	4.0
18⅞	12⅞	Amax $1	17½xd	–⅛	80c	–	3.0
11⅞	6	Ambase Corp $1	10⅞xd	+⅛	20c	–	1.2
15	865p	Amdahl 5c	18¼xd	.....	h10c	–	0.6
37⅞	25⅛	Amer. Cyanamid $5	34½	.....	$1.35	–	2.5
24⅛	14⅞	Amer. Express 60c	23⅞xd	–⅛	84c	–	2.3
16¼	854p	Amer. Medical Int. $1	14⅛	–⅛	72c	–	3.2
26½	15⅛	American T. & T. $1	26½	+⅛	$1.20	–	2.9
40⅝	26⅛	Ameritech $1	40¼	+⅛	h$2.92	–	4.6
659p	535p	♦Asiamerica Equity‡	574p	–12	–	–	–
21¼	9⅛	BankAmerica $1⅞	20⅞xd	.....	60c	–	1.8
35⅞	19⅞	Bankers N Y $1	32⅞xd	–⅛	$2.08	–	4.0
63⅝	38⅞	Bell Atlantic $1	62¼	–⅛	$4.08	–	4.1
34¼	19⅛	BellSouth Corp	34¼	+⅛	$2.52	–	4.7
15⅞	12⅞	♦Bethlehem Steel $8	14⅛xd	.....	$1.00	–	4.4
11⅝	868p	♦Bio-Rad Labs A	10⅞	.....	–	–	–
20¼	15¼	Bowater Inc	18⅞	–⅛	$1.12	–	3.9
12⅞	9¼	Brunswick 75c	10⅝xd	–⅛	44c	–	2.6
42⅝	28⅛	CPC Intnl 25c	39¼	–⅛	$1.80	–	2.9
825p	333p	California Engy	817p	–6	–	–	–
36⅞	17¼	Campbell Soup 15c	30xd	+⅛	92c	–	1.9
25⅝	15⅞	Chase Manhattan $12½	24xd	.....	$2.36	–	6.2
24⅝	17	Chem. Banking Corpn	24⅛	+⅛	$2.72	–	7.1
17½	13⅞	Chrysler $6¼	16⅞xd	–⅛	$1.20	–	4.6
22⅞	14⅛	Citicorp $1	19⅞xd	+⅛	$1.62	–	5.2
230p	107p	CityFed Fin. Corp	144p	–1	4c	–	1.8
39¼	25¼	Colgate-Palmolive $1	37⅞xd	–⅛	$$1.48	–	2.5
17¼	10⅞	Cont'l Bank Corp $4	16⅞	+⅛	80c	–	3.1
389p	218p	♦Corporate Data Sciences	376p	.....	–	–	–
597p	278p	Cullinet Sftwr 1c	536p	.....	–	–	–
27½	21⅞	Dana Corp $1	25⅞xd	+⅛	$1.60	–	4.0
12	854p	Data General	981p	+⅛	–	–	–
38⅛	28⅛	Dun & Bradstreet $1	36¼	.....	$2.00	–	3.5
43¼	30⅛	Eaton Corpn 50c	40¼	+⅛	h$2.00	–	3.1
11⅝	8⅞	Echlin Inc	11⅛	–⅛	70c	–	4.0
20⅞	16⅝	FPL Group 1c	20½xd	–⅛	$2.28	–	7.2

Continued on next page

Henderson Global Strategy Mngmt SA

	Bid Price	Offer Price	+ or –	Yield Gross
North Am Portfolio	£0.99	1.04	–0.01	–
European Portfolio	£1.43	1.51	+0.02	–
UK Growth Portfolio	£1.05	1.11	.....	–
Japan Portfolio	£1.40	1.47	.....	–
Pacific Portfolio	£1.30	1.37	.....	–

NICS Europe and Income Fund
U.S. $ | $12.44

NM Income & Gwth Fd
NAV Sept 18 | $15.78 | +0.03

Scimitar Bermuda Funds
Scimitar Futures Fd | $2.046 | 2.149
Guaranteed Fd | $10.21

Segespar Securities (Bermuda) Ltd
Gross Way Lts NAV Aug 31 | $18 071.59

Seoul International Trust

Gartmore Money Management Ltd—Contd.
Special Fund | 13.50 | | 14.37 | Mth
Dollar | 7.68 | 6.02 | 8.17 | 3-Mth

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
35¼	27⅝	Ford Motor $1	33¼	–¼	$3.00	–	5.7
37¾	24¼	Gen. Elect. 63c	36⅝	–⅛	$1.64	–	2.8
579p	460p	♥General Host Corp $1	511p	–3	30c	–	3.7
39½	18¼	Gillette $1	28½	+⅛	96c	–	2.1
987p	601p	Gt American Bank Sr $1	830p	–5	20c	–	1.5
23⅞	16	Greyhound $1½	22½	–⅛	$1.32	–	3.7
14½	847p	Hasbro Inc 50c	13¼	–⅛	16c	–	0.8
57½	32¼	Honeywell $1½	51¼	.....	$2.10	–	2.6
22	15¼	Houston Inds.	21⅝	–⅛	$2.96	–	8.7
76	63¾	IBM Corpn $1¼	73	–2	$4.84	–	4.1
60p	45p	Image Storage $.Sp.1c	55p	...	–	–	–
32⅛	18¼	Ingersoll-Rand $2	30½	–¼	$1.20	–	2.5
33¼	22½	Lockheed Crpn. $1	30¼	.....	$1.60	–	3.7
22⅝	15	Lone Star Inds $1	20½	+⅛	$1.90	–	5.9
27⅞	17½	Louisiana Land 15c	26¼	+½	$1.00	–	2.4
20⅞	11	Lowe's 50c	18¼	–¼	48c	–	[illegible]
27	15	Manuf. Hanover $1	26	+⅜	$3.28	–	7.8
22⅝	13	Merrill Lynch $1	20¼	+	$1.00	–	3.0
2439p	1910p	Molex Inc	2391p	+1	3.2c	–	–
27	18⅝	Morgan (J.P.) $2½	25	–⅛	$1.66	–	4.1
107⅝	98	Morris (Philip)	99	–⅜	$4.50	–	2.9
54½	36⅛	NYNEX $1	52	+¼	$4.36	–	5.3
44p	20p	N'wide Legal Serv.	30p	–2	–	–	–
24⅞	18¼	PHH Corp	24⅛	..	$1.12	–	2.9
259p	179p	♥Pacific Agr.	179p	.....	–	–	–
27¼	19	Pacificorp $3¼	26¼	–⅛	$2.76	–	6.4
30⅛	16⅞	Pacific Telesis 10c	29¼	+⅛	$1.88	–	4.1
22⅝	15¼	Pall Corp. 25c	22⅝	–¼	48c	–	1.4
55⅝	39	Pennzoil $8 1/3c	52	–⅛	$3.00	–	3.6
42¼	28⅛	Quaker Oats $5	39	–⅛	$1.20	–	1.9
32⅝	23	Rep NY Corpn $5	30	–⅛	$1.28	–	2.7
16	11	Rockwell Intl $1	15	–⅛	78c	–	3.1
29½	22	Sears, Roebuck 75c	23	–½	$2.00	–	–
35½	21⅝	Southwestern Bell $1	35⅝	+⅛	$2.60	–	4.7
27⅞	17	Sun Co. Inc $1	25	+⅛	$1.80	–	4.5
31¼	22	TRW Inc 62½c	30	–⅜	$1.72	–	3.6
24⅝	14⅝	TW Services $5	23⅝	–⅝	10c	–	0.3
39	26¼	Tenneco $5	39	+	$3.04	–	5.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

150	135	Unit Group .... y	144	...	5.0	3.3	4.6	8.2
100	66	Video Magic Leis. 1p y	95	−1	W2.0	0.7	2.8	7b.2
14	5	Vista Ents 5p ...... y	8¼	+¼	–	–	–	–
40	32	Vizcaya Hldgs 5p.. y	32	.....	–	–	–	–
46½	23	Windgate Leisure 20p y	43	.....	–	–	–	–
32½	10	Do. Wrnts .... y	31	.....	–	–	–	–
10¼	5	Wilton Group 1p .. y	8¼	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject [illegible]

REGIONAL & IRISH STOCKS

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]	
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	98
Guardian	19
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24

Property

Brit Land	32
Land Securities	52
MEPC	50
Rawlsworth	23

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	150
Lonrho	30
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Fed surprises with dollar sales

INTERVENTION by the US Federal Reserve took currency markets by surprise yesterday. The Fed sold an estimated $200m at a time when the dollar was confined to a relatively narrow range in subdued trading. However, the US unit recovered later in New York as renewed demand developed at the lower levels.

The dollar is still passing through a period of consolidation after its sharp fall last Friday. However, there appears to be little chance of a fresh direction just yet because institutional investors and short-term speculators are content to stay on the sidelines and wait for tomorrow's meeting of the West German Bundesbank's central council and the gathering this weekend of ministers from the Group of Seven nations.

Preliminary statements suggest that G7 ministers are less than agreed on how the dollar should perform from here. Comments by an official from the Japanese finance ministry suggested that the dollar's current high level is not helping to reduce global imbalances in trade, while Mr Nigel Lawson, UK Chancellor of the Exchequer, claimed yesterday that the current dollar rate was tolerable.

News of an unchanged US consumer price index in August failed to have much effect and the seasonally adjusted annual rate of 4.8 per cent was also unchanged from last year.

The dollar closed at DM1.9510 from DM1.9530 and Y145.60 compared with Y145.80. Elsewhere, it finished at SFr1.6875 from SFr1.6850 and FFr6.5900, unchanged from Monday. On Bank of England figures, the dollar's exchange rate index closed at 71.8 from 71.9 on Monday.

Sterling benefited from the dollar's slightly hesitant start but failed to hang on to gains after the dollar bounced back from the day's lows. Its exchange rate index closed at 91.3, up from the opening level of 91.2 but unchanged from Monday's close.

High UK interest rates always provide a demand for sterling but usually when there is little better alternative. This was the case this morning when the dollar was bereft of any fresh incentive. Sterling closed at $1.5730 from $1.5700. It was also higher against the D-Mark at DM3.0700 from DM3.0650 but was unchanged in yen terms at Y229.00. Elsewhere, it finished at FFr10.3675 from FFr10.3475 and SFr2.6550 against FFr2.6450.

The D-Mark improved against the French franc but hit resistance at FFr3.3790 and eased back to close at FFr3.3775 from FFr3.3770 on Monday. The firmer tone reflected an early switch into D-Marks amid suggestions that the West German Bundesbank may increase its lending rates at tomorrow's meeting of the central council. While many investors feel that rates will be left unchanged for the time being, there was sufficient demand in an otherwise featureless market to push the D-Mark firmer.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4090	+2.24	+1.06	±1.5424
Danish Krone	7.85212	8.05966	+2.64	+1.46	±1.6419
German D-Mark	2.05853	2.07382	+0.74	-0.44	±1.1019
French Franc	6.90403	7.00670	+1.49	+0.31	±1.3719
Dutch Guilder	2.31943	2.33783	+0.79	-0.44	±1.5019
Irish Punt	0.768411	0.777475	+1.18	0.00	±1.6689
Italian Lira	1483.58	1495.45	+0.80	+0.22	±4.0815
Spanish Peseta	133.804	129.525	-3.20	-	-

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

£ IN NEW YORK

Sep.19	Latest	Previous Close
£ Spot	1.5710-1.5720	1.5700-1.5710
1 month	0.63-0.62pm	0.64-0.62pm
3 months	1.90-1.86pm	1.87-1.84pm
12 months	6.28-6.18pm	6.70-6.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

POUND SPOT- FORWARD AGAINST THE POUND

Sep.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5635 - 1.5735	1.5725 - 1.5735	0.68-0.65cpm	5.07	1.86-1.82pm	4.68
Canada	1.8595 - 1.8630	1.8615 - 1.8625	0.32-0.27cpm	1.90	0.47-0.40pm	0.93
Netherlands	3.45¼ - 3.46¼	3.45¼ - 3.46¼	2-1⅞cpm	6.72	5⅛-5pm	5.86

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Volume up as mood improves

A RISE in the trading volume of short sterling on Liffe yesterday may be a positive indication for the contract, after a fairly lengthy period of gloom. December short sterling traded nearly 20,000 lots, with the price rising to 86.42 from 86.39, and closing only slightly below the day's high of 86.43.

The present trading range is seen as 86.32 to 86.45, with the contract failing to move above 86.45 on several attempts recently. If the mood has changed, however, another attack on 86.45 is more likely to succeed, possibly triggering stop loss buying orders at 86.46 and prompting a move up towards the next resistance point of 86.52.

December delivery is still about three-months away, with the September month finishing tomorrow, but attention has been focused on December for some time, if only because there has been so little hope of a change in bank base rates in the near future.

There is not any strong expectation of a move in base rates before December, but according to Mr Nick Parsons of Union Discount the mood is changing as traders find themselves almost universally short of the contract and have already discounted any likely bad news on West German rates or UK trade figures.

The December contract has moved higher for six of the last seven trading days, suggesting that it may be forming a better base level from which to advance.

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
91	3-38	4-45	0-10	0-23
92	2-47	3-57	0-19	0-35
93	1-60	3-10	0-32	0-52
94	1-19	2-32	0-55	1-10
95	0-52	1-60	1-24	1-38
96	0-31	1-29	2-03	2-07
97	0-18	1-04	2-54	2-46

Estimated volume total, Calls 946 Puts 490
Previous day's open int. Calls 9353 Puts 7537

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
94	3-54	4-33	0-24	1-11
95	3-01	3-55	0-35	1-33
96	2-20	3-16	0-54	1-58
97	1-43	2-46	1-13	2-24
98	1-11	2-15	1-45	2-57
99	0-51	1-53	2-21	3-31
100	0-35	1-30	3-05	4-08

Estimated volume total, Calls 525 Puts 140
Previous day's open int. Calls 1594 Puts 1625

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9250	1.52	1.69	0.14	0.43
9300	1.13	1.54	0.25	0.58
9350	0.80	1.24	0.42	0.78
9400	0.53	0.98	0.65	1.02
9450	0.33	0.75	0.95	1.29
9500	0.19	0.57	1.31	1.61
9550	0.10	0.42	1.72	1.96

Estimated volume total, Calls 1415 Puts 660
Previous day's open int. Calls 10630 Puts 9645

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

BASE LENDING RATES

EUROPEAN OPTIONS EXCHANGE

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

Caution on rates

NO CHANGE is expected in UK interest rates in the near future, but several imminent events are likely to create a mood of caution and uncertainty. A cut in bank base rates is considered unlikely until well into next year, but dealers are not entirely convinced that higher rates are out of the question.

Factors deciding whether there is a risk of higher rates are likely to be tomorrow's meeting of the West German Bundesbank council - amid speculation of a rise in official rates - the near-term performance of the dollar and UK economic news, with particular emphasis on the trade figures next Tuesday.

UK clearing bank base lending rate 14 per cent from May 24

Interest rates held steady in routine trading on the London money market yesterday. Three-month sterling interbank was unchanged at 13$\frac{13}{16}$-13¾ per cent, as the market waited for today's data on UK money supply, bank lending and industrial production. Attention is likely to focus on August M4 lending by banks and building societies. This is expected to be little changed from the July figure of £6.5bn. A rise to around 6 per cent from 5.3 per cent in year-on-year M0 money supply is discounted by the market.

The Bank of England initially forecast a flat credit position, but revised this to a shortage of around £100m at noon. The authorities were not involved in any bill operations during the day, but provided late assistance of around £70m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £192m. This was roughly balanced by Exchequer transactions adding £50m to liquidity, a fall in the note circulation of £90m and bank balances above target of £45m.

In Frankfurt overnight money firmed slightly to 6.95 per cent from 6.925 per cent, ahead of tomorrow's Bundesbank council meeting. The failure of the dollar to rise above DM2.00 and the approaching Group of Seven meeting in Washington have encouraged suggestions that the German central bank will not increase its official interest rates, but dealers will be looking for further guidance today from the result of this week's securities repurchase agreement tender.

The Bundesbank offered funds to the market, via a two-tranche agreement, at variable rates for 28 and 56 days. Two earlier facilities totalling DM23bn expire today. The previous 28-day pact was set last week at rates of 6.85 to 7.10 per cent.

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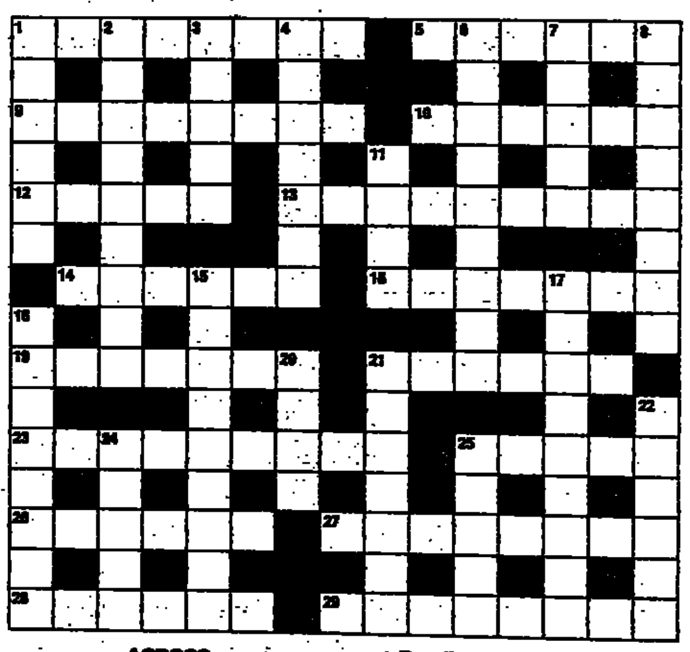
Granville Davies Limited, 77 Mansell Street, London E1 8AF, Telephone 01-488 1212, Member of The ISE & TSA

JOTTER PAD

CROSSWORD

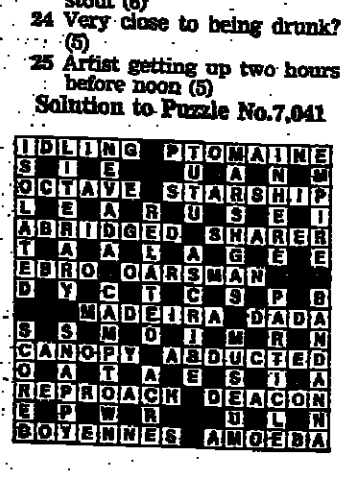
No.7,042 Set by DANTE



ACROSS
1 Sweetheart who kept on sending Christmas presents (4,4)
5 Complaint of wife at the weekend (6)
9 Someone must be willing to appoint him (8)
10 Cash or credit? (6)
12 Sets a snare and gets what one deserves (5)
13 Greatness, sadly, sets one apart (9)
14 Talks about the right navigational aids (6)
16 A holiday time without warmth? (7)
19 He lived with his wife and mother (7)
21 Article in paper is a hoax (6)
23 Office that gives teachers a cheerful start (9)
25 Girl gives a thousand to a murder victim (5)
26 Remarkable way to communicate (6)
27 Public schoolboys with a tension problem (8)
28 The country air (6)
29 Yelled at eccentric excitedly (8)

DOWN
1 The manuscript is about eastern subjects (6)
2 Found out such appliances are dangerous (9)
3 Coarse types confuse love with lust (5)
4 Possibly solve it in bed? (7)
6 Estimate of literary worth? (9)
7 Surrounded by cultivated mango (5)
8 Treats sore knee with oil mixture (8)
11 Store between 180 and 270 degrees (4)
15 Journalist's work needs to be bang on time (9)
17 Breaker's vehicle? (9)
18 Gas main? (5,3)
20 Some proviso honoured in London (4)
21 City finance (7)
22 He's possibly canny about stout (6)
24 Very close to being drunk? (5)
25 Artist getting up two hours before noon (5)

Solution to Puzzle No.7,041



WORLD STOCK MARKETS

AUSTRIA — September 19 — Sch. — + or –

[illegible]

BELGIUM/LUXEMBOURG — September 19 — Frs. — + or –

[illegible]

DENMARK — September 19 — Kr. — + or –

[illegible]

FINLAND — September 19 — Mks — + or –

[illegible]

FRANCE — September 19 — Frs. — + or –

[illegible]

FRANCE (continued) — September 19 — Frs. — + or –

[illegible]

GERMANY — September 19 — Dm. — + or –

[illegible]

GERMANY (continued) — September 19 — Dm. — + or –

[illegible]

ITALY — September 19 — Lire — + or –

[illegible]

ITALY (continued) — September 19 — Lire — + or –

[illegible]

NETHERLANDS — September 19 — Fls. — + or –

[illegible]

NORWAY — September 19 — Kroner — + or –

[illegible]

SPAIN — September 19 — Pts.% — + or –

[illegible]

SWEDEN — September 19 — Kronor — + or –

[illegible]

SWITZERLAND — September 19 — Frs. — + or –

[illegible]

SOUTH AFRICA — September 19 — Rand — + or –

[illegible]

JAPAN — September 19 — Yen — + or –

[illegible]

AUSTRALIA (continued) — September 19 — Aust.$ — + or –

[illegible]

HONG KONG — September 19 — H.K.$ — + or –

[illegible]

AUSTRALIA — September 19 — Aust.$ — + or –

[illegible]

SINGAPORE — September 19 — S$ — + or –

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4pm prices september 19

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
[illegible]					

F – No voting rights or restricted voting rights.

MONTREAL

4pm prices september 19

Sales	Stock	High	Low	Close	Chng
[illegible]					

INDICES

NEW YORK — DOW JONES

	Sep 18	Sep 15	Sep 14	Sep 13	1989 High	1989 Low	Since compilation High	Since compilation Low
‡Industrials	2687.50	2674.58	2664.89	2679.52	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	92.84	93.01	92.96	92.94	94.15 (23/8)	[illegible]	[illegible]	–
Transport	1442.22	1439.72	1443.28	1469.24	1532.01 (5/9)	[illegible]	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	226.49	215.54	213.78	214.10	221.64 (6/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2694.91 (2695.67) Low 2662.61 (2643.05)

STANDARD AND POOR'S	Sep 18	Sep 15	Sep 14	Sep 13	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	346.73	345.06	343.16	345.46	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	396.18	394.35	392.64	395.38	405.27 (1/9)	318.66 (3/1)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	33.13	32.76	32.68	32.98	33.59 (7/8)	24.39 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	192.43	191.59	190.95	192.29	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (28/4/42)
Amex Mkt. Value	379.50	379.64	380.94	383.77	384.54 (12/9)	305.24 (3/1)	384.54 (12/9/89)	29.31 (9/12/72)
NASDAQ Composite	466.89	467.57	468.78	471.83	471.83 (14/9)	378.56 (3/1)	471.83 (14/9/89)	54.87 (31/10/72)

	Sep 15	Sep 8	Aug 25	year ago (approx.)
Dow Industrial Div. Yield ...	3.76	3.70	3.39	3.68

	Sep 13	Sept 6	Aug 30	year ago (approx.)
S & P Industrial div. yield ...	2.89	2.86	2.83	3.24
S & P Indl. P/E ratio ...	14.46	14.61	14.67	12.80

TRADING ACTIVITY — † Volume — Millions

	Sep 15	Sep 15	Sep 14
New York	137.640	236.810	150.759
Amex	9.419	13.428	12.396
OTC	105.052	130.917	142.031

NEW YORK

	Sep 15	Sep 15	Sep 14
Issues Traded	1,943	1,973	1,983
Rises	754	633	396
Falls	674	824	1,108
Unchanged	515	516	479
New Highs	34	22	14
New Lows	28	27	28

CANADA

TORONTO	Sep 18	Sep 15	Sep 14	Sep 13	1989 High	1989 Low
Metals & Minerals	3698.9	3704.1	3696.1	3707 7	3919.2 (1/9)	3207.5 (3/1)
Composite	3899.3	3896 3	3891.2	3917.0	4019 7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	1997.39	1995 70	1994 69	2006.51	2053 80 (1/9)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
JP Morgan	7,356,300	40¼	+ ¾	Circle K	1,390,700	7	+ ⅛
S East Bk	3,320,900	26¾	+ ¼	UAL	1,271,700	281½	+ 1¾
Oryx Ener	1,959,900	37⅜	..	Amr Corp	1,193,300	75½	– ⅜
Am T & T	1,602,900	41½	+ ⅞	Exxon	1,163,700	45⅜	+ ½
McDonalds	1,482,600	30½	+ ⅝	Warner Com	1,027,400	64	+ 1⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep. 19	Sep. 18	Sep. 15	Sep. 14	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1745.9	1735.9	1733.8	1733.0	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	849.1	843.9	846.8	843.7	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	440.98	(u)	435.25	434 18	440.98 (19/9)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6718.68	6736.25†	6700.70	6676 81	6736.25 (18/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	332.95	333.87	335.74	337.67	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	733.1	738.7	743.5	747.6	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	541.6	540.6	538.1	538.4	541.6 (19/9)	417.9 (4/1)
Ind. Tendance(30/12/88)	124.4	125.4	125.9	124.7	125.9 (6/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	671.56	664.21	667.98	668.27	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	2009.0	1986.1	1996.4	1997.8	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1614.16	1605.11	1595.31	1612.25	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2628.30	2648.21	(c)	2612.82	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1758.06	1759.28	1753.76	1765 89	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	716.54	727.95	726.20	720.96	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34471.07	34472.54	(c)	34401.88	35140 83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2619.07	2622.23	(c)	2618.43	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	272.3	271.3	270.3	269.8	272.3 (19/9)	208.3 (3/1)
CBS All Shr (End 1983)	209.4	208.6	209.5	209.0	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	685.95	692.28	687.06	680.15	692.28 (18/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1127.46	1138.44	1144.67	1131.61	1217.44 (10/8)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1399.27	1404.51	1411.81	1411.30	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1589.0‡	1577.0	1559.0	1577.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2730.0‡	2725.0	2735.0	2733.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	952.02	953.17	(c)	(c)	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	324.90	324.68	324 82	327.33	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4311.0	4334.7	4357.8	4366.2	4660.3 (16/8)	3333 9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	818.7	812.7	804.4	799.0	829.1 (6/9)	613.1 (3/1)
TAIWAN						
Weighted Price (30/6/66)	10679.83	10672.08	10641.60	(c)	10679.83 (19/9)	4873 01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	691.32	696.48	712.07	714.28	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	529 4	523.3	527.2	551.2 (3/8)	487.6 (13/6)

‡ Subject to official recalculation. † Correction.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Tuesday September 19 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sekisui House	24.0m	2,520	+30	Shokusan Jutaku	9.4m	1,460	-20
Tokyu	19.2m	1,820	0	Towa RI Estate	6.8m	1,500	+40
Tokyu Land	14.8m	1,550	+10	MHI	6.8m	1,150	0
Daiwa House	14 0m	2,720	+60	KHI	6.4m	1,070	0
Nippon Steel	9.9m	776	-14	Nagoya Rlwys	6.3m	1,370	-10

4pm prices september 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
36¼	21⅛	AAR	.44	1.3	22	115	34⅛	33¾	33¾	
9⅞	8⅝	ACM n	1.01	11.		333	9⅛	9	9⅛	
11⅝	10¼	ACMIn	1.26a	11.		650	11½	11⅜	11½	+ ⅛
10⅛	8½	ACM M n	1.01	12.		1238	8⅞	8½	8⅝	+ ⅛
11½	10	ACM Sc	1.25	11.		1039	11¼	11⅛	11¼	
9⅛	8⅞	ACMSp	1.01	11.		515	9¼	9⅛	9¼	+ ⅛
18	11⅛	AL Lab	.12	.7	17	53	16⅝	16¼	16¼	− ⅛
4⅛	3⅛	AMCA	.12e	3.3	24	7	3⅝	3½	3⅝	+ ⅛
6⅛	4½	AM Int			12	778	5½	5⅜	5½	
23½	20⅞	AM In pf	2	9.1		51	22	21½	22	+ ⅛
96	45⅛	AMR			9	10273	76⅝	74½	76⅛	+ ⅝
27	25	ANR pf	2.67	10		5	25⅝	25½	25½	
7⅜	3⅝	ARX				39	3⅞	3⅞	3⅞	
44⅛	35½	ASA	3a	7.1		139	42⅞	42⅛	42⅛	+ ⅛
22⅞	15¼	AVX	.24	1.2	9	135	20⅞	20⅝	20⅞	+ ⅛
68	44⅛	AbtLab	1.40	2.2	19	3745	64⅞	64	64⅛	− ⅜
16¼	13¾	AbitibI g	1			37	14⅝	14⅝	14⅝	
13	7½	AcmeC	.40	3.8		19	10⅝	10⅜	10½	− ⅛
9⅞	5⅞	AcmeE	.32	3.3	11	41	9⅝	9½	9⅝	
34⅞	20¼	Acuson			23	100	32⅞	32⅛	32⅞	+ ⅛
17	14⅛	AdaEx	1.82e	11.		163	16⅝	16⅜	16⅝	+ ⅛
12⅝	8½	Adobe				277	11⅝	11⅜	11½	− ⅛
[illegible]										

Continued on Page 57

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev.
44¼	29¾	XTRA	.72	2.3	9	49	31	31	31	+ ⅛
33	24½	XTRA pf1.94		7.5		12	26	26	26	+ ½
4¾	2	Zapata				555	2⅝	2½	2½	
15½	10½	Zemex	.40	3.9	114	12	10⅝	d10⅛	10¼	− ⅜
22⅝	14	ZenithE				1724	14⅝	14¼	14⅜	− ⅛
10⅜	8¼	Zeninc	1.26	15.		208	8⅝	8½	8½	− ⅛
2¾	1⅛	vjZenLb				949	1¾	1⅝	1⅝	− ⅛
21½	16	ZenNtl	.84	4.4	9	21	19¼	19⅛	19¼	− ⅛
18½	11¾	Zero s	.40	2.2	18	37	18⅝	18⅛	18⅜	
44¼	23¾	Zurnln	.68	1.7	19	302	39⅝	38¼	39⅝	+1⅛
12	10	Zweig	1.09e	9.4		435	11⅜	11⅝	11⅝	
10⅛	9¼	Zweig	.96	10.		2490	9⅜	9¼	9⅜	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices september 19

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
PhlLD	.15e	9	303	19½	19¼	19½	− ⅛
Pittway	1.80	13	219	103¼	102½	102½	
PlyGem	.12	13	127	13½	13⅜	13½	
Presd B		163	2	6½	6½	6½	+ ⅛
Presd A	.10		53	7¼	7⅛	7¼	+ ¼
PrcCm s			165	6¾	6⅝	6⅝	
ProMed	.42	13	91	u 4⅞	4½	4⅞	+ ⅛
ProfCre		12	145	5⅞	5⅝	5¾	− ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices september 19

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
William	1.45	8	171	53	52½	52⅞	− ⅛
WlmTr	1.24	13	122	43	42½	42¾	− ⅛
WiserO	.40	44	311	17¼	16⅞	17⅛	+ ⅜
Wolohn	.28	10	156	21	20¼	20½	+ ⅜
WlvEx h			707	8⅞	8½	8⅝	+ ⅛
Wortng	.56	17	516	24⅛	23½	23¾	− ⅜
Wyman	.80	180	491	18¼	17⅞	18	+ ¼
- X - Y - Z -							
XL Dta s		19	313	24¼	23¾	24¼	+ ⅜
XOMA			7584	22¼	20	20½	−2
Xicor		9	218	6¼	6	6	− ⅛
YelowF	.76	11	691	29¼	28⅞	29¼	+ ⅛
ZionUt	1.44		3	30½	29½	29½	
Zycad			286	2¾	2⅝	2⅝	− ⅛

AMERICA

Equities finish flat after late programme selling

Wall Street

A QUIET day on Wall Street saw equities ending the day virtually flat with stock prices giving up slight gains after a late round of computer-driven programme selling, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed down 0.19 points at 2,687.31. Volume on the New York Stock Exchange was moderate, with only 136.6m shares changing hands. Advancing issues led those declining by 718 to 707.

Among other market indices, the American Exchange Composite was off 0.67 points at 378.83, the Standard & Poor's 500 was down 0.18 points at 346.55 and the New York Stock Exchange Composite rose 0.03 points to 192.46.

The slight rise in equities was mirrored in the debt market, where the Treasury's bellwether 30-year bond rose ⅛ of a point to 100⅜, yielding 8.08 per cent. At the short end of the yield curve, the two year bond was unchanged, yielding 8.12 per cent. Fed funds ended the day at 9¼ per cent.

The debt market received no support from the dollar, which was trading at Y145.85 and DM1.9545 in the afternoon in New York, down from Y146.30 and DM1.9590 in early London trading.

Both stock and bond markets received some support from signs that inflation had been checked last month. August's consumer price index was unchanged in August, after rising by 0.2 per cent in both June and July. Excluding food and energy, the August index rose 0.2 per cent.

Mr Nicholas Brady, US Treasury Secretary, said he was pleased with the latest consumer price index. Mr Manuel Johnson, vice chairman of the Federal Reserve, said the unchanged index was "good news."

Avon Products fell $2 to $31⅞ after the company lowered its 1989 earnings estimate because of the stronger-than-expected dollar. Annual per share earnings are now expected to be about $95 to $2.15 compared with an earlier estimate of $2.30 to $2.40 a share. The issue was the most active on the New York Stock Exchange.

Manufacturers Hanover jumped $2⅞ to $44 in heavy trading in the wake of a restructuring plan, announced late Monday. Among the plans to improve the bank's capital position is the sale of a 60 per cent stake in its CIT financial services group to Dai-Ichi Kangyo, valued at about $1.28bn.

Dayton Hudson added $1⅝ to $61⅞ after the department store group offered to buy back 7m of its 7.7m common shares at a price of $60 to $65 a share.

Among other department store issues, Sears fell $⅜ to 44¼. Dillard Department Stores gained $¼ to $73¼ and May Department Stores added $⅜ to $48⅜.

BAT Industries was unchanged at $13 in fairly active trading on American Exchange. Philip Morris, the big US tobacco company, added $2¼ to $158⅝.

Ford lost $⅛ to $51⅝ after it said it was interested in acquiring up to 15 per cent of the UK's Jaguar PLC.

UAL, parent of United Airlines, gained $2½ to $283⅞. The UAL board has accepted a $300-a-share buyout offer from a management led group.

Canada

A MID-MORNING rally fizzled out leaving prices with only a slight gain in slow trade.

The Toronto 300 composite index closed up 1.63 points to 3900.95. Declines topped advances 351 to 282 and volume added up to 20,596,000 shares compared with 19,161,000 yesterday. The value of trading rose to C$275.7m from C$177.4m.

Campeau Corporation resumed trading after an almost four-session halt, gaining ¼ to 14¼ on 772,051 shares. Campeau's bankers agreed a C$250m bail-out by the Reichmanns.

Activity moves to Tokyo's second section

Investors look for a quick profit in smaller issues, reports **Michiyo Nakamoto**

RECENT upheavals in Japan have shifted stock market interest away from large volume stocks to smaller and less familiar issues, highlighting the often neglected second section of the Tokyo Stock Exchange.

While volume on the first section has been dismal throughout the summer, virtually halving from 1.09bn shares in April to 509m in August, the second section has seen turnover more than double from 8.5m shares to 22.8m in the same period.

Meanwhile, after a long, grey period of uninspiring performance, the second section hit a new high of 3,131.17 on August 8, for the first time in 14 months. That high was posted in the midst of a 23-session rising streak, from July 24 to August 23, when it renewed its high on 12 consecutive days. The second section index rose by 8.6 per cent during that time.

The shift in interest is in large part due to external influences. Political turmoil, which began with the Recruit share scandal, rocked the ruling Liberal Democratic Party (LDP) and culminated in the LDP's humiliating losses in nationwide elections in July, keeping the market in cautious mood.

Scepticism about the ruling party's ability to keep the Government on a steady course has grown as the LDP has been hit by one sex scandal after another and as the opposition Socialist Party appears to be winning greater support among the general public.

At the same time, the yen has weakened far beyond levels acceptable to the Bank of Japan, realising the market's deep-seated fears of inflationary pressures and higher interest rates.

On May 31, the Bank of Japan raised its official discount rate for the first time in nine years. Investors almost immediately pulled away from large volume stocks, particularly the steels, shipbuilding and construction groups, which are sensitive to currency fluctuations and interest rate changes.

The market, as a result, has had a difficult summer. Dealers have been promoting one theme after another in a frantic attempt to generate volume. Meanwhile, investors, also getting undernourished, have noticed the potential for quick profits on smaller volume issues, still relatively cheap and reporting record earnings.

"Investors started looking at the individual merits of the stocks rather than the macro-economic issues," says Mr Hirokazu Nihei, senior analyst in the Investment Advisory Department at Daiwa Securities. Backing up this theme, the Japanese economy was still roaring, in spite of the battered yen, and companies were reporting record earnings while capital spending was still going strong.

On the second section, earnings reports were particularly good. In August, the TSE announced that a record 16 issues would be promoted to the first section from the second, an event which further highlighted the strong growth prospects of second section companies.

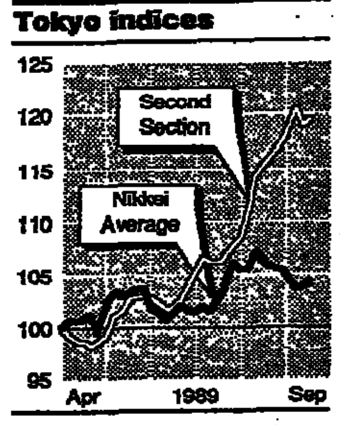
The popularity of small and medium-sized issues extends to the first section, where unfamiliar names have been popping up recently among the most actively traded issues. In August, CSK, a computer software development company, and Makita Electric Works headed the winners list; the biggest losers were the giant construction companies, the steels and the shipbuilders, star performers only a few months before.

The market in Osaka, where even the first section OSE index includes a large number of high-technology, small to medium-sized issues, has also had a much more buoyant summer. Many promising companies, such as Nintendo, Murata Manufacturing and Omron Tateisi Electronics, are from the Kansai area, where Osaka is the centre of business. The OSE index has risen from 33,133.18 on May 31 to 35,003.72 yesterday.

Institutional funds, which normally shy away from small volume stocks for lack of liquidity, are said to be finding their way into the second section, while an increasing number of Tokyo investors have shown interest in the Osaka market.

Mr Nihei thinks that the shift in buying interest reflects a parallel shift in the Japanese economy from a period in which profits are still low but money supply is high to one in which profits begin to recover and therefore have a greater impact on the market.

Tokyo indices



EUROPE

Declining dollar brings bourses mixed blessings

THE FALL in the dollar was treated as a mixed blessing on Continental bourses yesterday. Markets fearful of higher interest rates improved, but some international stocks, sensitive on prices and profit margins, were not quite so happy, *writes Our Markets Staff.*

FRANKFURT took Monday's recovery a stage further, both at midsession and the close, as the FAZ index rose 7.35 to 671.56 and the DAX index put on 9.05 to 1,614.16. Volume recovered from DM3.3bn to DM4.2bn.

The slide in the dollar from DM1.97 to just over DM1.95 yesterday was seen as the key to the recovery, lessening pressure for an increase in key interest rates at tomorrow's Bundesbank meeting.

Analysts were also cheered by the steel industry's ability to raise its prices by between DM30 and DM50 a tonne this week, reflecting the level of demand in the capital goods markets; this coincides with a machine tool fair at Hanover. Metallgesellschaft rose DM7 to DM476 and Thyssen gained DM4.70 to DM246.

Retailers were sharply higher, with Karstadt up DM19.30 at DM658.20 on the lift in sentiment engendered by immigration from East Germany. Analysts think there may be somewhat less enthusiasm today when the retail group Co op, now saved from bankruptcy, resumes dealings. The shares closed at DM115 on September 7.

In banks, Dresdner's management board chairman, Mr Wolfgang Röller, said in West Berlin that the company's profits should hit a new record in 1989. The shares rose DM3 to DM346.50. Deutsche Bank climbed DM6.50 to DM674.50 and Commerzbank DM3.70 to DM251.

AMSTERDAM was buoyed by the insurance sector, which made small gains in active trading, although dollar-sensitive stocks declined as the US currency fell.

In the insurance group, Aegon added Fl 1.30 to Fl 114.80 and NatNed Fl 1 to Fl 73.60.

Amro bank opened strongly after its suspension throughout Monday, when it said it had abandoned plans to merge with Générale de Banque of Belgium, ending Fl 1.60 higher at Fl 85.30.

Companies reliant on US-based earnings included KLM, which lost 30 cents to Fl 53.80, and Akzo, off 70 cents at Fl 144.70.

The CBS tendency index gained 0.8 to 197.0 in volume said to be average to low, although above Monday's level.

PARIS slowly made its way higher throughout the day, with few features to enliven trading, although the opening CAC General index, reflecting the previous day's trading, reached a new peak.

The CAC General rose 1 point to 541.6, passing its previous record set on September 11. The CAC 40 index rose 1.73 to 1,894.44, while the OMF 50 index eased 0.06 to 528.32.

Turnover was estimated to be less than Monday's FFr2.7bn, at about FFr2.2bn.

Peugeot was active, with about 192,000 shares traded. It closed only FFr1 lower at FFr902 after slipping to FFr894 earlier. There was confusion among investors over the effect on the company of the current strikes, with some saying that the car maker was losing FFr30m a day in sales and others claiming the company had built up good stocks.

Drinks maker Perrier's share price swung between FFr1,785 and FFr1,837 before closing at FFr1,825, up FFr38. Interest was mostly speculative, following "a rattling good summer after the demand for water and other drinks in view of the heat," said an analyst.

Cie du Midi lost FFr15 to FFr1,455 after Axa-Midi, its insurance arm, said it was making share swap offers for the stakes that it does not already own in several other insurance units.

ZURICH continued its recovery in moderate volume, helped by the overnight rise on Wall Street, and the Crédit Suisse index rose 4.4 to 636.6. A less tense situation surrounding the dollar and interest prospects helped the market undertone.

In the insurance sector, some strong gains were seen after a period of lagging the market. Zurich led the way with a gain of SFr125 to SFr5,525.

MILAN fell across a broad front as investors took profits and buyers withdrew from the market. The Comit index shed 11.41 to 716.54.

Traders said that there was no specific reason for the sell-off, but the Italian economy is attracting bearish comment.

MADRID was unchanged at the close, with the general index steady at 324.68. The electrical and construction sectors showed more life, with Asland up 10 percentage points at 1,205 per cent of par and Dragados gaining 6 to 687.

BRUSSELS eased as the fortnightly trading account approached its close. The cash market index dropped 17.57 to 6,718.68.

HELSINKI closed lower for the seventh session running, with little sign of the trend changing. The Unitas all-share index fell 5.6 to 733.1 on moderate turnover.

The stock exchange has reprimanded shipbuilder Oy Wartsila for failing to advise it in good time of an expected worsening in the company's results.

STOCKHOLM again slipped in a market that lacked positive news. The Affärsvärlden general index closed at 1,277.6, down 5.4, on low turnover.

ASIA PACIFIC

Lack of stimulus leaves prices little changed

Tokyo

EQUITIES made a modest show of renewed vitality early yesterday, but they failed to sustain it. In the absence of new developments, share prices closed little changed in sluggish trading, *writes Michiyo Nakamoto in Tokyo.*

A slight recovery in the yen and the buoyancy of overnight markets produced the morning uplift. Later, index-linked selling robbed the market of its gains and the Nikkei average fell to a low of 34,368.16 before closing almost unchanged at 34,471.07, down 1.47 from Monday.

The day's high was at 34,581.02. Losses outnumbered gains by 481 to 442 while 195 issues were unchanged. Turnover at 658m shares, although still low, was an improvement over the 491m traded on Monday. The Topix index of all listed shares dipped 3.16 to 2,619.07 and, in London, the ISE/Nikkei 50 index rose 3.81 to 2,019.53.

"The market was a little brighter than it has been," said Mr Michael Law at Schroder Securities. While there has been some pessimistic talk of a collapse of the Tokyo market, most analysts are inclined to think that the correction will be moderate and short term.

For the time being, the relatively high level of short-term interest rates, and the impending closure of institutional books have kept institutions out of the market.

However, they still have ample funds, and the money is expected to come back into the market to pick up stock at lower levels. Some investors are pinning their hopes on the meeting of finance ministers of the Group of Seven Industrial Nations scheduled for September 23. This should give them some indication of currency and interest rate trends in the near term.

Buying was focused on smaller companies, particularly those in the housing sector, as investors expected major brokers to pick up housing issues on the theme of "building an affluent country."

Sekisui House topped the most actives list with 24m shares and climbed Y30 to Y2,520. Daiwa House posted a Y60 rise to Y2,720 in active trading.

Tokyu Land, which belongs to the Tokyu group of companies, rose Y50 to Y1,590 during the day but closed up Y10 at Y1,550. It was third on the volumes list with 14.8m shares. Tokyu Land also comes into the housing category as a real estate company experienced in custom-built housing.

Toei, the movie producer, was popular for the fifth day in a row and closed up Y50 at Y1,510, after rising Y90 to a high of Y1,550 during the day. Investors class Toei as a leisure stock as it has a presence in video software and is diversifying into the hotel and real estate business.

Profit-taking undermined advances in the housing and real estate sector in Osaka, leading the OSE average lower by 9.54 points to 35,003.72. Volume, however, remained firm at 133m shares, compared with 106m on Monday. Sumitomo Forestry rose Y70 to Y2,460, reflecting the rise in orders for up-market wooden houses.

ISRAELI shares recovered slightly yesterday after Monday's plunge of almost 6 per cent, caused by fears of a split in the coalition government over Middle East peace moves, Reuter reports from Jerusalem.

There was some buying at lows yesterday, following the fall of 5.99 per cent in the Tel Aviv free shares index on Monday, the market's busiest day for two years.

The trigger for the fall was disagreement between Prime Minister Yitzhak Shamir's party and its coalition partners over Egyptian proposals for Israeli-Palestinian talks.

However, analysts said the fall was also partly a technical adjustment; shares have risen by 80 per cent in Tel Aviv so far this year.

Roundup

THE HIGHLIGHT of a quiet day in the Asia Pacific region was the Australian market, which showed new signs of life after moves by Bond Corp on its brewing interests.

AUSTRALIA was bucked by news of a deal over Bond Corp's brewery assets and by the overnight rise on Wall Street, offsetting fears of a record current account deficit, expected to be announced tomorrow.

The All Ordinaries index gained 10 to 1,745.9, although falls led rises by 206 to 199. Turnover picked up, with 110m shares worth A$201m traded, compared with Monday's 71m and A$135m.

Bond Corp lost 2 cents to 40 cents. Mr Alan Bond announced a complex deal involving the sale of his Australian brewing interests to Bell Resources and a joint venture with Lion Nathan of New Zealand. Bell Resources, of which Bond Corp owns 58 per cent, gained 8 cents to A$1.28.

HONG KONG eased on the lack of fresh stimulus, the Hang Seng index falling 19.91 to 2,628.30. Turnover declined to HK$717m.

Blue chips suffered from profit-taking while second-line stocks attracted some interest in the wake of Wing On's sale of 40 per cent of its department store chain to Seiyu of Japan. Wing On fell 20 cents to HK$7.45.

SINGAPORE also fell prey to profit-taking as the Straits Times Industrial index dropped below the 1,400 level to 1,399.27, a fall of 5.24. Turnover slipped to 61m shares.

NEW ZEALAND declined in quiet trading, with the news of the joint venture between brewing group Lion Nathan and Australia's Bond Corp coming after the close. Lion Nathan shed NZ$3 to NZ$424 and the Barclays index lost 22.11 to 2,307.17.

TAIWAN was little changed, although the weighted index ended at another all-time peak of 10,679.83, up 7.75.

SOUTH AFRICA

GOLD stocks in Johannesburg closed marginally higher yesterday in featureless trading as the bullion price remained steady.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 19 1989						MONDAY SEPTEMBER 18 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	155.32	+0.4	146.39	133.31	+0.7	4.85	154.68	146.07	132.44	157.14	128.28	139.07
Austria (19)	149.34	+0.2	140.76	151.87	−0.3	1.61	149.03	140.74	152.34	150.67	92.84	87.59
Belgium (63)	137.72	+0.4	129.80	139.24	+0.1	3.97	137.22	129.58	139.08	137.97	125.58	120.01
Canada (123)	147.90	+0.2	139.40	126.75	+0.2	3.19	147.67	139.45	126.55	153.59	124.67	118.17
Denmark (36)	194.53	−0.3	183.35	200.95	−0.2	1.58	195.19	184.33	201.43	219.89	165.35	127.11
Finland (26)	129.49	−0.7	122.04	119.81	−1.0	2.29	130.36	123.10	121.06	159.16	125.81	116.21
France (126)	132.64	+0.2	125.02	137.12	+0.2	2.75	132.37	125.00	136.83	133.44	112.57	95.20
West Germany (98)	98.02	+1.2	92.39	99.42	+1.1	2.05	96.88	91.49	98.37	100.53	79.56	79.14
Hong Kong (48)	110.70	−0.8	104.33	110.97	−0.8	5.02	111.61	105.40	111.90	140.33	86.41	98.72
Ireland (17)	152.54	−0.3	143.77	157.52	−0.4	2.81	153.04	144.52	158.15	166.69	125.00	127.98
Italy (97)	93.55	−1.8	88.18	98.24	−1.7	2.33	95.27	89.96	99.89	96.73	74.97	71.06
Japan (455)	179.42	+0.0	169.11	165.13	−0.2	0.48	179.50	169.50	165.43	200.11	164.22	158.75
Malaysia (36)	199.92	−0.2	188.43	207.69	−0.1	2.48	200.24	189.09	207.88	200.24	143.35	135.75
Mexico (13)	313.12	−0.8	295.13	883.96	−0.7	0.57	315.50	297.94	889.98	321.99	153.32	151.55
Netherland (43)	128.97	+0.5	121.55	129.38	+0.4	4.10	128.29	121.15	128.88	130.67	110.63	102.49
New Zealand (20)	83.66	−0.7	78.85	75.03	−0.8	4.68	84.21	79.52	75.61	88.18	62.64	69.17
Norway (24)	186.68	−1.0	175.95	180.47	−1.0	1.44	188.56	178.06	182.23	198.39	139.92	111.49
Singapore (26)	165.22	+0.0	155.73	150.68	−0.2	1.86	165.30	156.10	150.98	170.62	124.57	119.18
South Africa (60)	154.84	+0.2	145.94	135.66	+0.2	4.17	154.61	146.00	135.45	157.59	115.35	100.25
Spain (43)	161.44	+0.0	152.16	149.15	−0.1	3.45	161.44	152.45	149.33	161.44	143.14	137.23
Sweden (35)	176.55	−0.4	166.40	172.69	−0.3	1.99	177.23	167.36	173.29	188.94	138.45	118.10
Switzerland (64)	89.91	+0.4	84.74	94.06	+0.6	2.01	89.54	84.56	93.54	94.16	67.81	76.09
United Kingdom (306)	152.69	−0.2	143.91	143.91	−0.4	4.13	153.07	144.55	144.55	158.41	133.28	124.44
USA (548)	140.93	+0.0	132.83	140.93	+0.0	3.26	140.87	133.02	140.87	143.84	112.13	110.29
Europe (997)	129.33	+0.0	121.90	126.85	−0.1	3.28	129.32	122.12	126.96	132.62	112.63	102.88
Nordic (121)	164.56	−0.4	155.10	157.77	−0.4	1.80	165.30	156.09	158.43	178.38	137.95	111.20
Pacific Basin (670)	175.98	+0.0	165.86	161.89	−0.2	0.73	176.05	166.25	162.16	194.72	160.44	155.57
Euro−Pacific (1667)	157.45	+0.0	148.40	147.76	−0.1	1.58	157.49	148.72	147.96	166.98	141.56	134.51
North America (671)	141.24	+0.0	133.12	140.03	+0.0	3.26	141.17	133.31	139.96	144.24	112.79	110.69
Europe Ex. UK (691)	114.38	+0.2	107.81	116.27	+0.2	2.65	114.15	107.80	116.07	116.28	98.30	89.36
Pacific Ex. Japan (215)	134.49	+0.0	126.76	121.18	+0.1	4.58	134.55	127.06	121.10	137.65	111.93	117.28
World Ex. US (1863)	157.19	+0.0	148.16	147.18	−0.1	1.66	157.22	148.47	147.36	166.35	141.49	133.62
World Ex. UK (2105)	150.10	+0.0	141.48	145.13	+0.0	1.99	150.06	141.71	145.18	155.66	136.98	124.54
World Ex. So. Af. (2351)	150.29	+0.0	141.66	145.06	−0.1	2.17	150.29	141.92	145.16	155.92	136.67	124.66
World Ex. Japan (1956)	136.81	+0.0	128.94	134.91	+0.0	3.33	136.76	129.15	134.91	138.29	114.51	108.13
The World Index (2411)	150.32	+0.0	141.68	144.99	−0.1	2.18	150.32	141.95	145.10	155.89	136.68	124.51